



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

Country Report: Ireland

European Commission

This report provides a non-exhaustive overview of the social enterprise landscape in Ireland based on available information as of August 2014. Although a range of stakeholders were interviewed to verify, update and supplement the information collected from secondary sources, it was not possible to consult all relevant stakeholders within the constraints of the study.

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Headline summary

Definition(s) and concepts

In 2013, Forfás, the advisory body to the Irish government on enterprise policy, published a review of social enterprise which, *inter alia*, proposed a definition for social enterprises. On the basis of existing definitions (the European Commission's SBI definition of social enterprise and definitions from other countries) and consultations with stakeholders, Forfás proposed the criteria for defining a social enterprise:

- Trade for a social/societal purpose;
- Earn at least part of their income from their trading activity;
- Be separate from government; and
- Primarily reinvest their surplus in their social objective.

Policy and legal framework

The role of social enterprises is becoming increasingly acknowledged in national policy. Following the publication of the Forfás report in July 2013, a cross-departmental 'minister for social enterprise' has been appointed by the *Taoiseach* (Irish prime minister) to drive forward the social enterprise agenda. This means that for the first time there is ministerial-level leadership to promote and support the interests of social enterprises

In terms of the legal framework, Irish law does not provide for a legal form which is tailored specifically for use by social enterprises

Public support and initiatives

Whilst the origins of public support to the social enterprise sector lie in two successive schemes that targeted the social economy more broadly¹, public support to social enterprises has become more explicit in recent years. For example, in 2013, the Irish government published the results of a year-long review of social enterprises. This review identified a set of recommendations to support the growth and development of social enterprises.

Networks and mutual support mechanisms

There are two main social enterprise networks operating in Ireland:

- Launched in 2013, the Irish Social Enterprise Network is a network body for social enterprises.
- The Community Action Network (CAN) provides mentoring and expert online advice through its Virtual Employee Extranet. It additionally has access to funds that can be used to help organisations become investment-ready.

Marks, labels and certification systems

There are no marks, labelling schemes or certification systems for social enterprises in Ireland.

Social investment markets

The social investment market is relatively small, with supply dominated by two lending organisations – Clann Credo and the Ulster Community Investment Trust Ireland (UCIT). Both organisations have witnessed steady year-on-year growth, driven by both increasing demand and the availability of capital for on-lending. Supply of capital increased significantly from 2007 with the government-backed creation of the Social Finance Foundation, with just under EUR 100 million provided by the Irish banking sector.

¹ The Social Economy Programme (SEP) launched in 2000. In 2008 the SEP was replaced by the Community Services Programme (CSP).

The legacy of grant funding may have stifled the demand for social investment. However, it is also the case that the current range of financial products does not “fit” the needs of social enterprises. In part, this reflects lenders’ lack of understanding of the unique characteristics of social enterprises.

Spectrum of social enterprises

Organisations that might self-identify themselves as social enterprises include:

- Company Limited by Guarantee, which is the most common legal form used by social enterprises in Ireland;
- Friendly societies, which include organisations that financial welfare to specific groups (e.g. the Irish Grocers Benevolent Fund²);
- Credit Unions, which may provide finance to social enterprises and which on some counts may themselves be considered social enterprises; and
- Industrial and Provident Societies, the most usual legal form of cooperatives.

Scale and characteristics

There are no official statistics on the number of social enterprises in Ireland, although an attempt has been made to measure the scale of the ‘sector’. The 2013 Forfás review reported that there were 1,420 social enterprises in Ireland in 2009, employing over 25,000 people, with a total income of around EUR 1.4 billion. A vast majority (63 per cent) of these ‘enterprises’ however, did not generate any revenues from trading activity; application of the EU operational definition would therefore reduce the total number of social enterprises among this group to around 520.

According to the 2013 Forfás review, almost a third of all social enterprises were found to work in childcare. After this, there was a wide diversity of sectors, covering arts, tourism and leisure, social housing/ accommodation, social services, and environmental services.

Factors constraining the start-up and development of social enterprise

Available information suggests that access to finance and markets as well as the absence of an enabling policy framework (including fiscal incentives) are the main barriers constraining the start-up and development of social enterprises in Ireland. Additionally, it is also believed that social enterprises often lack internal capacity to support their growth.

²http://www.igbf.ie/about/about_us.html

1 Definitions and concepts of social enterprise in Ireland

The term ‘social enterprise’ has only relatively recently entered policy discourse in Ireland. Research into what might be considered to be the social enterprise model has typically focussed on the wider social economy or not-for-profit community, which have a slightly longer tradition – see Box 1.

Box 1 Emergence and evolution of social enterprise in Ireland

The origins of the social enterprise sector in Ireland lie with a long history of non-profit organisations with a strong social and community ethos. Early organised charitable, voluntary and philanthropic activities focussed on education, public health and medicine, and poverty alleviation (Acheson et al, 2004). Statistics on the size of the non-profit sector in Ireland are limited, but it is believed to constitute at least 20,000 organisations. Non-profit organisations provide a wide range of goods and services, and have historically played an important role in the delivery of public services. The State in Ireland has a long history of involvement in the provision of welfare services, and the non-profit sector has had an important role in terms of the delivery of state-led welfare initiatives (Prizeman and Crossan, 2011). This includes the provision of social services, housing, education, health, and arts and leisure services.

The social economy model particularly began to gain traction in the 1990s, with policy-makers recognising the ability of the model to achieve both social and economic goals (Curtis et al, 2011). This led to the launch, in 2000, of the government-backed scheme (the Social Economy Programme, or SEP) to support capacity building and growth amongst what were termed ‘social economy enterprises’ that sought to increase employment opportunities in disadvantaged areas.

The tradition of non-profits and emphasis placed on the social economy has nourished the recent emergence of the notion of social enterprises in Ireland. As noted by Clarke and Eustace (2009), social enterprises have been deployed as a part of the social economy:

“Social enterprises are part of what is termed the Third Sector or Social Economy. The Third Sector is comprised of organisations that are independent of the State, but may receive funding from the State, and may also contribute to the delivery of public services. They have primarily social objectives and reinvest any surpluses they generate in pursuing these objectives.”

Some argue (see, for example, Doyle and Lalor, 2012) that the boundaries of activities in which social enterprises are likely to engage in are influenced by the ideological perspective of individuals and organisations. For example, those that believe in the reformist approach tend to view social enterprise as an extension of the private and public sectors and that it serves to fill the gap - generally in services – that is not met by the private sector and public sector (as a result of market failures or policy choices). For others, social enterprise is an alternative to capitalism and demonstrates a different way of engaging in economic activity (the radical approach). This approach emphasises the contribution to the community and participation in decision-making. Another ideological approach that is emerging relates to social entrepreneurship. This approach asserts that many social challenges can be addressed effectively by the interventions of individuals with private business sector skills and expertise.

In 2013, Forfás, the advisory body to the Irish government on enterprise policy, published a review of social enterprise which included a proposed definition for social enterprises. This definition was derived from discussions with stakeholders from the sector, and as a result is quite broad, with no numerical ‘boundaries’ to define in/out. The definition stipulates that social enterprises must:

- Trade for a social/societal purpose;
- Earn at least part of their income from their trading activity;
- Be separate from government; and

- Primarily reinvest their surplus in their social objective.

Discussions with stakeholders have suggested that there is buy-in to this definition from some areas of the social enterprise 'community'. However, the publication of the report was too recent (July 2013) for the application of this definition to have spread widely.

A recently launched network body for social enterprises – the Irish Social Enterprise Network – has its own definition of a social enterprise, although it also refers to other definitions, including the ones used by the European Commission, explicitly acknowledging that there may be many definitions³. In order to be registered in a Directory of social enterprises that is in the process of being developed (scheduled for publication in late 2014), organisations must be:

- Profit-seeking, trading organisations; and
- Have a social mission that is measured.

This definition has fewer criteria than the definition developed by Forfás, but the overall thrust is the same: social enterprises have a social mission, but must also be genuine 'enterprises' with income from market sources.

Whilst the development of a nationally recognised definition of social enterprises is a recent and ongoing process in Ireland, there are existing 'labels' that can be used to describe the types of organisation that could be considered social enterprises. This includes:

- Community-based organisations grant funded (e.g. through government schemes) to provide temporary employment and job training;
- Charities and voluntary organisations delivering public services on a grant or contract basis;
- Friendly societies;
- Socially-entrepreneurial individuals launching socially motivated businesses;
- Entrepreneurial sports, cultural and community organisations such as the Gaelic Athletic Association (GAA);
- Credit Unions; and
- Cooperatives.

The extent to which organisations within these groups would identify themselves as social enterprises is not known. A representative from Forfás, for instance, noted that they had excluded cooperatives from their research but included credit unions, although recognising that some credit unions and some cooperatives would consider themselves as social enterprises.

Two concepts that tend to be used interchangeably are social enterprise and social entrepreneurship. However, as ÓBroin (2012) points out that they are two very distinct paradigms: *"The former is a broad approach to economic development based on economic and social solidarity and a more democratised society, the latter an evolution of the recent marketisation of the management and delivery of many public services"*. This distinction was also emphasised by some of the stakeholders interviewed.

Interviewees noted that to some extent organisations define themselves according to the prevailing policy themes, including the availability of grant funding. To date there has not been a social enterprise funding scheme in Ireland and so there has been less incentive to identify as a social enterprise (whereas there have been social economy funding schemes, and this 'label' is more widely used).

³ The Network's website calls the European Commission definition 'as good as any'. <http://www.socent.ie/about-us/> Accessed on 31 October 2013.

2 The ecosystem for social enterprise in Ireland

2.1 The policy and legal framework for social enterprise

2.1.1 The national policy framework

Government policy on social enterprises has a relatively short history in Ireland and only very limited financial support is dedicated to the development of social enterprises (unlike mainstream enterprises).

The role of social enterprises is, however, becoming increasingly acknowledged in national policy. For example, the Programme of Government for 2011-2016 states that *“The Government will promote the development of a vibrant and effective social enterprise sector”* and adds that they will *“instruct agencies to view social enterprises as important stakeholders in rejuvenating local economies.”*

Moreover, the Government’s Action Plan for Jobs 2012 gave a commitment to commission a report on the potential of social enterprise to create jobs:

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

This report was published by Forfás in July 2013. Among the recommendations in the report was the establishment of an Inter-Departmental and Inter-Agency group to develop the ‘sector’. Once up and running, one of the first tasks of this group will be to examine the recommendations of the Forfás report in more detail and determine how they can best be delivered.

Following the publication of the Forfás report, a cross-departmental ‘minister for social enterprise’ (Seán Sherlock) has been appointed by the *Taoiseach* (Irish prime minister) to drive forward the social enterprise agenda. This means that for the first time there is ministerial-level leadership to promote and support the interests of social enterprises. The Irish Government has not currently adopted a definition of social enterprises but the Social Enterprise and Entrepreneurship Taskforce (SEET) recommended adoption of the EU definition, in its submission to Forfás (Ireland’s policy advisory board for enterprise, trade, science, technology and innovation)⁴.

As discussed in above, the Forfás report included the first Government proposed definition of social enterprise. It closely matches the EU operational definition.

2.1.2 Legal framework for social enterprise

In terms of the legal framework, Irish law does not provide for a legal form which is tailored specifically for use by social enterprises. A social enterprise in Ireland may take any one of a variety of legal forms, although the overwhelming majority are structured as companies limited by guarantee (and not having a share capital).

There are no legislative, regulatory or other rules specifically hindering the development of social enterprises in Ireland.

There are currently no fiscal incentives available to social enterprises. A social enterprise may be able to benefit from certain tax exemptions available to charitable organisations where the main object of the social enterprise falls within the definition of ‘charitable purpose’. However, charitable tax status can also act as a deterrent to investment as the Revenue Commissioners require that bodies with charitable tax status apply the income and property of the body solely towards the promotion of its main charitable object as set out in the charity’s governing instrument. Similarly, the directors or trustees of a social enterprise

⁴ Social Enterprise and Entrepreneurship Taskforce (July 2012) *Unlocking the Potential of Social Enterprise and Entrepreneurship: A Submission to Forfás*

with charitable tax status are generally not permitted to receive any remuneration from the social enterprise other than refunds of out of pocket expenses.

2.2 Public support schemes targeting social enterprises

The origins of public support to the social enterprise sector in Ireland lie with two successive schemes targeting the social economy more broadly: the Social Economy Programme and the Community Services Programme.

The Social Economy Programme (SEP)

The SEP was launched in 2000 with the goal of developing the social economy in order to tackle disadvantage and support community regeneration⁵. The programme provided revenue grant support to 'social economy enterprises', which included:

- '*Community Businesses*': analogous to social enterprises, in that they were largely financed from trading income and there was an expectation that they would be self-sustaining (i.e. would not need public sector grant support) in the medium-term;
- '*Deficient Demand Social Economy Enterprises*': organisations providing a good or service to a community where there is insufficient demand for the operation of a market (e.g. due to disadvantage or low density of population); and,
- '*Enterprises Based on Public Sector Contracts*': organisations that contracted with the public sector to deliver public services in disadvantaged areas and communities.

In 2008 the SEP was replaced by the Community Services Programme.

The Community Services Programme (CSP)

The CSP which was launched in 2008 with the aim of supporting community businesses to help them deliver local community services and create employment opportunities for people from disadvantaged groups. The CSP is funded by the Department of Social Protection and managed by Pobal⁶, a not-for-profit intermediary organisation that manages employment programmes on behalf of the Irish government and EU. The programme operates by providing grant funding to service providers to part-fund wage costs. Beneficiaries must provide match funding using trading income, the effect of which is to reduce grant-dependency amongst community service providers, and encourage them to act more as social enterprises. As of March 2012, the CSP had distributed just under EUR 200 million to around 450 organisations⁷.

Public policy in support of social enterprises

Compared to conventional enterprise, there is a relatively narrow range of public sector support dedicated to social enterprise (as highlighted in the Table 2.1). Indeed, the only dedicated type of support for social enterprises relates to financial instruments (see section 2.6 for further information).

⁵ WRC Social and Economic Consultants (2003) Evaluation of the Social Economy Programme

⁶ <https://www.pobal.ie>

⁷ Forfás (July 2013) Social enterprise in Ireland: sectoral opportunities and policy issues

Table 2.1 Overview of publicly funded schemes specifically designed for or targeting social enterprises (✓ yes X no)

Support type	Are there any schemes specifically targeting social enterprises?	Are any of these schemes funded by ERDF/ ESF?
Awareness raising (e.g. award schemes, communication, advocacy)	X	X
Social entrepreneurship education (e.g. academic courses)	X	X
Pre-start / start-up support e.g. Business support e.g. mentoring, consultancy, coaching etc. Grants Infrastructure e.g. incubators	X	X
Grants and business support for established enterprises (e.g. business planning, management skills, marketing, training and coaching etc.)	X	X
Investment readiness support	X	n/a
Dedicated financial instruments (e.g. loans, guarantee schemes, social impact bonds etc.)	✓	n/a
Physical infrastructure (e.g. shared working space)	X	X
Collaborations and access to markets	X	n/a
Networking, knowledge sharing and mutual learning initiatives	X	X

2.3 Other specialist support and infrastructure available to social enterprises

Other dedicated support structures for social enterprises are limited in Ireland but include:

- The Social Economy Unit, which was established by Partas (then known as Get Tallaght Working) in 1997 and supports new social enterprises in Tallaght, South Dublin County.
- SEDCo (Social Enterprises Development Company) which provides incubation, start-up advice and support for new social enterprises, on a one project per annum basis.
- University College Cork (UCC) which provides advice and support to start-up co-ops, as well as running courses (including Masters courses) in social entrepreneurship.

Many community organisations and community enterprise centres also provide free or low cost space for incubation of social enterprises or space to trade and operate from.

There are also some limited funding sources available to social enterprises. These include:

- The Social Finance Foundation distribute via five approved social lending organisations (EUR 97 million);
- Bank finance through Triodos Bank serving Ireland from the UK (approximately EUR 50 million was committed in 2010); and
- Funding for social entrepreneurs through the Arthur Guinness Fund disbursed by a competitive dialogue through Social Entrepreneurs Ireland (EUR 650,000 in 2012).

Outside of these sources of funding, it is difficult to separate out funding which goes to social enterprises as opposed to commercial enterprises with no social ethos or to community and voluntary organisations with no enterprise dimension⁸.

⁸Forfás (July 2013) Social enterprise in Ireland: sectoral opportunities and policy issues

2.4 Networks and mutual support mechanisms

There are two main social enterprise networks operating in Ireland:

- Launched in 2013, the Irish Social Enterprise Network is a network body for social enterprises. With the aim of making the social enterprise sector more visible, they hold events, organise training and provide promotion for the social enterprise sector.
- The Community Action Network (CAN) provides mentoring and expert online advice through its Virtual Employee Extranet. It additionally has access to funds that can be used to help organisations become investment-ready.

2.5 Marks, labels and certification systems

There are no marks or labelling schemes for social enterprises in Ireland. The Irish Social Enterprise Network – a network body for social enterprises that was launched in 2013 – reports that it would like to establish a mark in the near future. This mark would provide a quality label for social enterprises that meet certain criteria. The specific criteria have not yet been established. Existing social enterprise mark models – for instance the UK model – are being considered as templates for the proposed Irish social enterprise mark.

2.6 Social investment market

This section provides an overview of the social investment market in Ireland.

2.6.1 The supply of finance

Overview of the social investment sector in Ireland

The social investment sector in Ireland is relatively small, but growing. The market is currently dominated by two lending organisations – Clann Credo and the Ulster Community Investment Trust Ireland (UCIT).

- Clann Credo⁹ (the Social Investment Fund) was established in 1996 by the Presentation Sisters¹⁰, and aims to ‘provide affordable loan finance to community, voluntary and charitable organisations, community businesses and social enterprises throughout Ireland and abroad’. Clann Credo lends to organisations – including social enterprises – that generate a ‘social dividend’ and also have the capacity to repay their loan. Within these parameters there is flexibility in who the organisation will lend to, though an interviewee noted that they are in principle reluctant to lend to social entrepreneurs who operate on a for-profit basis, and distribute profits to private individuals (even though they may generate significant social outcomes through their trading activities).
- The Ulster Community Investment Trust Ireland (UCIT)¹¹ started lending in the Republic of Ireland in 2008 (it was founded in Northern Ireland). The goal of UCIT is to provide ‘social finance, free advice, business support and mentoring to the social economy sector in Northern Ireland and the Republic of Ireland’. Social economy is defined as: community organisations, charities and social enterprises. Social enterprises are defined on the basis of the definition of social enterprises published by the Northern Ireland Department for Enterprise Trade and Investment (DETI)¹². In deciding whether to invest, UCIT considers whether an organisation has a clear social purpose, and also whether it has a viable business model.

It is understood that there are also a number of other organisations providing social finance in Ireland, but the scale of these activities are believed to be very small, finance may not be

⁹<http://www.clanncredo.ie>

¹⁰ A religious institute

¹¹<http://www.ucitltd.com>

¹² “A social enterprise is a business with primary social objectives whose surpluses are re-invested, for that purpose, in the business or in the community rather than being driven by the need to maximize profit for shareholders or owners”

provided on commercial terms (grants are common), and funding is often provided to organisations that are not social enterprises (e.g. charities). Thus, this section focuses on the social investment activities of Clann Credo and UCIT.

Notably, the supply of capital increased significantly from 2007 onwards with the government-backed creation of a wholesale fund – the Social Finance Foundation (SFF) – with just under EUR 100 million of finance provided by the Irish banking sector. The SFF provides capital for both Clann Credo and UCIT to lend to ‘community-based projects’. These projects include the activities of social enterprises, and also schemes by organisations from within the broader social economy.

The remainder of this sub-section on finance covers lending to ‘community organisations’: a term that is used to encompass social enterprises along with other sections of the social economy.

The scale of social investment

As at July 2013, Clann Credo and UCIT had around EUR 24 million of outstanding social investment in Ireland: EUR 20 million by Clann Credo, and EUR 4 million by UCIT. Around 250 organisations had outstanding loans (at least 200 with Clann Credo and 44 with UCIT). Average loan sizes in Ireland are thus relatively large (around EUR 90,000 to EUR 100,000).

Interviewees expected the value and volume of social investment to increase in the near future. The capital available through the SFF will increase by an extra EUR 6 million per year. The major constraints on the future scale of social investment, it was reported by interviewees, are associated with the level and nature of demand (see below).

Characteristics of social investment products

Clann Credo offers both secured and unsecured loans. Equity and quasi-equity is also available, and in the past the organisation has made such investments. However, it was reported that demand was low (the legal structure of community organisations, including some social enterprises, may make equity investments difficult), and a representative of Clann Credo noted that pricing equity investments to reflect the risk involved can be problematic.

UCIT offers both secured and unsecured loans to community organisations, and also equity (though so far no equity investments have been made, due to a lack of demand). UCIT are considering whether to introduce Social Impact Bonds, depending on how these new forms of investment fare elsewhere (e.g. within the UK), and depending on government support.

Table 2.22.2 summarises the terms associated with the social investment products provided by Clann Credo and UCIT.

Table 2.2 Terms for social finance in Ireland (as at July 2013)

Finance provider	Type of finance	Minimum size available (EUR)	Maximum size available (EUR)	Average interest rate	Average term (years)
Clann Credo	Loans	40,000	500,000	5-6%	7
UCIT	Loans	30,000	500,000	6%	8

Source: interviews with Clann Credo and UCIT

The supply of capital for social investment

Clann Credo has largely been funded by charitable donations from religious organisations (around EUR 10 million), whilst UCIT has access to the capital held by its ‘mother’ organisation (UCIT Northern Ireland). Neither has been funded by the Irish government.

A step change in the capitalisation of SIFIs in Ireland came with the launch in 2007 of the Social Finance Foundation (SFF). The Foundation was set up with a EUR 25 million ‘donation’ from Irish retail banks, under the auspices of the Irish Banking Federation. On the basis of the scale of demand from community organisations, in 2009 a further EUR 72 million low-interest loan was secured from Irish retail banks, payable in tranches of EUR 6 million per year over a 12 year period. The SFF acts as a wholesaler to a set of approved Social

Lending Organisations (SLOs). There are currently four such approved SLOs, though in practice just two organisations – Clann Credo and UCIT – receive almost all of the investment¹³. Under the system implemented by SFF, the SLOs are responsible for generating and evaluating loan applications, though the SFF retains the right to refuse loan applications (though in most cases they accept the recommendations of the SLO). The capital is disbursed by SFF, with SLOs receiving all interest payments and the SFF retaining the principal. As at the end of December 2011, just under EUR 39 million worth of loans had been approved over the lifetime of the SFF, though around EUR 21 million had been drawn down.

Overall, interviewees reported that, in principle, there was no significant shortage of capital for on-lending given current and forecast levels of demand. However, it was noted that SIFIs had limited scope to make riskier investments (e.g. to start-up community organisations), in part due to the absence of a guarantee scheme which would spread the risk.

Risks associated with lending to community organisations

Interviewees were split as to whether lending to community organisations was more or less risky than lending to mainstream businesses. It was noted that the level of risk varies between community organisations. Organisations with close ties to communities were seen as marginally less risky, since if an organisation got into difficulties then there was the prospect that they could fill income gaps through fundraising. Moreover, staff at community organisations that had grown out of community projects were often seen to have a greater willingness keep trying to make a struggling business a success. ‘Pure’ community organisations – i.e. organisations that were set up to generate turnover through traded income – were seen to be riskier, since they were less able to fall back on fundraising if necessary, and were believed to be more likely to ‘walk away’ from a struggling business (in much the same way as would happen with for-profit business).

Interviewees identified a number of ways in which the community organisation model was relatively risky for an investor. One interviewee suggested that a key issue was in relation to employment and governance practices within community organisations. In Ireland, many community organisations are largely or even entirely staffed by volunteers, meaning that their commitment and time allocation to the enterprise cannot be guaranteed. Relatedly, there are risks associated with the financial awareness of organisations staffed by volunteers. It was also noted that there is greater uncertainty about income generation in relation to community organisations, due to a typical reliance to some extent on fundraising and/or government grants.

In spite of the risks associated with community organisation lending, default rates amongst the SIFIs in Ireland are currently low (ranging from 0 per cent in one case to 1 per cent in another). However, community organisations typically access relatively long-term loans (terms of six years and more are common). Given the scale of lending that has taken place since 2007, it was noted by interviewees that default rates may increase in the future (all of the organisations consulted had made provisions for bad debt that were in the region of 10 per cent).

2.6.2 The demand for finance

There is very little published evidence of the demand for social investment.

Interviewees reported that community organisations need finance for a variety of purposes, including bridging finance (typically a loan to cover operating costs until they receive grant financing), and resources to fund acquisitions. UCIT reported that the average loan size *requested* by community organisations was EUR 150,000 (i.e. much higher than UCIT’s actual average loan size, which is around EUR 100,000). Clann Credo estimated that loans of between EUR 30,000 and EUR 100,000 were the most common amounts sought by applicants. Whilst the demand is overwhelmingly for loans, both Clann Credo and UCIT offer

¹³ The remaining two SLOs are the Cavan County Enterprise Fund (CCEF) and the Limerick Enterprise Development Partnership (LEDP).

an equity investment product, but take-up has been minimal. Interviewees suggested that community organisations in Ireland have not yet reached a stage where equity is an appropriate investment product, in part due to a lack of awareness and understanding, but also because the equity model – with a withdrawal of capital on exit – would not be suitable for many community organisations.

Interviewees from the social investment sector suggested that demand for social investment in Ireland has traditionally been constrained by the volume of grant funding available from government and from other sources. In the past few years this constraint has eased as cutbacks within government reduce the amount of grant funding available, though these cutbacks have also reduced demand for the services provided by some community organisations. More generally, interviewees reported that demand for social investment is increasing due to greater awareness that it is an option for community organisations. Investment readiness within the sector is seen to be improving, and as SIFIs increase the scale of their lending, so more community organisations become aware that they can obtain finance via this route.

Interviewees from within the social investment sector reported that retail banks provide significant amounts of finance to community organisations, though since their motive is to secure a commercial return they may not even be aware that they are serving the sector. It was suggested that some businesses – particularly those that generate greater proportions of their income from traded activities – would typically not consider social investment rather than mainstream finance.

However, interviewees from the social investment sector suggested that many community organisations cannot secure finance from retail banks, primarily because banks require personal guarantees. Since many community organisations are staffed by volunteers, this requirement is too much of a commitment for many individuals. It was also suggested that governance arrangements within community organisations often provide a barrier for bank investment.

Interviewees from Clann Credo and UCIT were asked about the proportion of demand from community organisations that they are able to meet:

- Clann Credo estimated that around 80 per cent of applications are accepted;
- UCIT reported that they met between 70-80 per cent of demand for investment from community organisations.

Both organisations, therefore, funded the majority of the community organisations that applied for finance. However, as a representative from Clann Credo noted, they typically work with community organisations prior to the submission of a formal application. This process involves determining the financial needs of an organisation (which may result in referral to a grant-making body instead), and also their suitability as an investment. As a result, organisations that reach the application stage are typically more investment ready, and thus unlikely to be rejected.

Those applicants who were not funded were seen by both organisations as unsuitable investment prospects. For example, UCIT estimated that around 10 per cent of loan applications are rejected because the business proposition is not viable, 5 per cent are rejected because they are outside of the organisation's sector of activity (primarily due to concerns over social impacts), and 5 per cent were rejected because they were not within the organisation's geographical catchment area (no longer relevant condition as the organisation has since expanded).

In terms of the constraints on the growth of the social investment market, interviewees highlighted demand-side barriers. A suppression of demand due to a culture of grant dependency was identified as an ongoing – though decreasing – problem, together with unfavourable economic conditions (which dampen demand across the economy as a whole). Interviewees also noted the absence of mature community organisation networks in Ireland, which reduced knowledge sharing and collaboration within the sector.

2.6.3 Market gaps/ deficiencies

Perhaps unsurprisingly, discussions with representatives from the social investment sector in Ireland reported that demand-side constraints were the primary issue facing the market. Since the establishment of the SFF, it was noted, there is sufficient capital available to meet demand. Instead, it was suggested that any constraints on the volume of social investment are due to a lack of quality investment opportunities, driven in part by the economic climate (including cutbacks in government expenditure on welfare), and by a tradition of grant-dependency amongst social enterprises.

However, in reality it is likely that the market gaps and deficiencies relate to both demand-side and supply-side constraints. For example, Brennan (2012) notes that the current range of financial products does not “fit” the social enterprise market. He also adds that assessment systems, techniques and criteria used are geared to conventional personal or business loans and are not appropriate for the different objectives and characteristics of social enterprises. This is unlikely to be a deliberate policy by the mainstream providers, but rather reflects the lack of understanding of the unique characteristics of social enterprises. With regard to credit unions there are also a number of regulatory barriers, including the Central Bank’s Guidance Note on Investments by Credit Unions (2006), which sets out the types of investment products in which credit unions can invest, together with the term limit and maximum amount that can be invested. Notably, investment in social enterprises do not fall under any of the permitted headings, so it would require a change of policy by the Central Bank to allow such socially desirable investments to proceed (Brennan, 2012).

2.7 Overview of the key actors in the social enterprise ecosystem

The table below provides a snapshot of the main actors involved in the social enterprise ecosystem. This should, however, not be seen as an exhaustive list.

Table 2.3 Key actors in the social enterprise ecosystem

Name	Role	Website
<i>Governmental departments or institutions designing or implementing policy, support instruments and measures for social enterprises and infrastructures</i>		
Department of Jobs, Enterprise and Innovation	Government department with lead responsibility for social enterprise policy	http://www.djei.ie/enterprise/apj.htm
Minister for Social Enterprise	A cross-departmental ‘minister for social enterprise’ appointed to drive forward the social enterprise agenda.	http://www.djei.ie/press/2013/20130726.htm
<i>Organisations promoting, certifying and awarding social business labels</i>		
Irish Social Enterprise Network	Network body in the process of developing a social enterprise mark for Ireland	www.socent.ie/
<i>Institutions, civil society initiatives or other social enterprises promoting social entrepreneurship education and training, and presenting role models / Facilitators of learning and exchange platforms for social enterprises</i>		
Centre for Co-Operative Studies, University College Cork	Research, consultancy and educational activities to support the continued growth of co-operatives. Developing new distance learning programmes to meet the needs of people involved in a broad range of co-operatives, social enterprises and local development initiatives, including an MBS Co-operative and Social Enterprises.	http://www.ucc.ie/en/ccs/
<i>Organisations that have the capacity act as an observatory and to monitor the development and to the assess needs and opportunities of social entrepreneurs and social enterprises / Social enterprise (support) networks, associations</i>		
Irish Social Enterprise Network	Network body for social enterprises in Ireland	www.socent.ie/

Name	Role	Website
<i>Providers of social enterprise start up and development support services and facilities (such as incubators)</i>		
SEDCo (Social Enterprise Development Company)	Provides incubation, start-up advice and support for brand new social enterprises, on a one project per annum basis.	
<i>Business support providers</i>		
Pobal Community Services Programme	Government programme aiming to support community businesses to help them deliver local community services and create employment opportunities for people from disadvantaged groups	https://www.pobal.ie/FundingProgrammes/CommunityServicesProgramme/Pages/CSP%20Home.aspx
The Social Economy Unit, Partas	Provide support to community organisations that are engaged in economic activities in order to meet social objectives and tackle disadvantage and social exclusion.	http://www.partas.ie/Research/SocialEconomyUnit.aspx
<i>Key providers of finance</i>		
Clann Credo	Provides finance to social economy organisations	www.clanncredo.ie
Ulster Community Investment Trust Ireland (UCIT)	Provides finance to social economy organisations	www.ucitltd.com/roi-home

3 Mapping social enterprise activity in Ireland

3.1 The spectrum of social enterprises in Ireland

Organisations that might self-identify as social enterprises include:

- Company Limited by Guarantee, which is the most common legal form within Ireland, and which can be used by social enterprises;
- Friendly societies, which include organisations that financial welfare to specific groups (e.g. the Irish Grocers Benevolent Fund¹⁴);
- Credit Unions, which may provide finance to social enterprises and which on some counts may themselves be considered social enterprises; and
- Industrial and Provident Societies, the most usual legal form of cooperatives.

3.2 Application of operational definition: determining the boundaries

As discussed above, as of July 2013 there is now a published government definition of social enterprises in Ireland. This section compares the details of this Forfás definition with the EU operational definition of social enterprise.

To recap, the EU operational definition of a social enterprise consists of five main criteria. These are discussed below:

A social enterprise must engage in economic activity

Economic activity is defined in terms of the production and/ or exchange of goods or services. According to Forfás, social enterprises should '*earn at least part of their income from their trading activity*'. In this respect the EU operational definition and the definition of a social enterprise that is used in Ireland are consistent. The Forfás definition does not indicate what proportion of an organisation's income should come from traded activity, instead using the term 'part'. This could thus include organisations that generate tiny amounts of traded income.

A social enterprise must pursue an explicit and primary social aim

According to Forfás, social enterprises should '*trade for a social/ societal purpose*'. Social/ societal purpose is not explicitly defined. Instead, Forfás sought to demonstrate this aspect of their definition of a social enterprise through a typology of the types of organisations that can be considered social enterprises, which includes an overview of examples of what was meant by the term social/ societal purpose¹⁵:

- *Commercial opportunities with a social dividend*: a business that trades in a good or service with both a social impact and a high potential for generating traded income. This might include, for instance, an environmental services company.
- *Creating employment opportunities for marginalised groups*: an organisation that works with individuals who are disadvantaged and excluded from the 'mainstream' labour market. This would include an organisation that provides employment opportunities to ex-offenders, or an organisation that provides training/ employment support to individuals with a physical or learning disability.
- *Economic and community development*: an organisation that identifies a gap in the market where the private sector has not been able to develop a commercially viable solution. This might include a community-run enterprise centre or a shop.

¹⁴http://www.igbf.ie/about/about_us.html

¹⁵Forfás (July 2013) Social enterprise in Ireland: sectoral opportunities and policy issues

- *Service delivery*: an organisation that is primarily a deliverer of public sector services (potentially to individuals or groups who are not in a position to pay commercial rates for these services). This might include a crèche or a care home for the elderly.

In summary, whilst the pursuit of a social aim is considered a key requirement of a social enterprise in Ireland, there is no firm definition of what constitutes a social aim. The Irish Social Enterprise Network requires that organisations '*have a social mission*' if they are to be included within the Directory of social enterprises that it is currently developing. Again, however, this social mission is not defined. Instead of a definition, there is a broad understanding of the types of social mission that organisations follow, which is illustrated in the Forfás typology shown above.

It must have limits on distribution of profits and/or assets

The Forfás definition of a social enterprise stipulates that organisations must '*primarily reinvest their surplus in their social objective*'. Profits, in other words, should largely be used to further social goals, which is analogous (or somewhat stronger) to the EU operational definition of social enterprise. The Forfás definition does not, however, include any requirement in relation to assets, for instance an asset lock.

It must be independent

Social enterprises must be autonomous from the State and other traditional for-profit organisations. According to Forfás, social enterprises should be '*separate from government*'.

It must have inclusive governance

The EU operational definition of social enterprise requires that organisations allow stakeholder views to be appropriately represented in decision making processes. This requirement is not included in the Forfás definition of a social enterprise.

Table 3.1 Differences and similarities between the EU operational definition and the national definition of WISEs

EU operational definition	National definition of social enterprises
must engage in economic activity (must generate income from market sources)	The national definition stipulates that social enterprises should ' <i>earn at least part of their income from their trading activity</i> '. In this respect the EU operational definition and the definition of a social enterprise that is used in Ireland are consistent.
must pursue an explicit and primary social aim	The national definition stipulates that social enterprises should ' <i>trade for a social/ societal purpose</i> ', which is analogous to the EU operational definition of social enterprise.
must have limits on distribution of profits and/ or assets: the purpose of such limits is to prioritise the social aim over profit making	The national definition of a social enterprise stipulates that organisations must ' <i>primarily reinvest their surplus in their social objective</i> '. Profits, in other words, should largely be used to further social goals, which is analogous (or somewhat stronger) to the EU operational definition of social enterprise.
must be independent	Social enterprises should be ' <i>separate from government</i> '.
must have inclusive governance	Stakeholder participation is, not an explicit requirement of the national definition

The discussion above suggests that the Forfás definition of a social enterprise fully meets three of the five core criteria (in relation to economic activity, the social dimension and profit/asset distribution), but only partly meets the one criteria (relating to independence). It does not meet the criterion relating to inclusive governance.

The application of the EU operational definition to different types of entities in the Irish context lead to the following conclusions (Table 3.2).

Table 3.2 The application of the operational definition to various types of entities in Ireland

Type	The degree of 'compliance' with EU operational definition
Company Limited By Guarantee	A fraction of those meet all the operational definition criteria. Clann Credo commissioned INKEx to perform a data analysis of the Irish Nonprofits Database 2009/10 to focus specifically in the Social Enterprise and Community Business sector, which resulted in a listing of 1,420 companies limited by guarantee and registered as charities. Out of this group around 520 actually carried economic activities (had revenues from trading).
Friendly Societies	There are 48 societies in the Registrar of Friendly Societies, of which some might be considered social enterprises
Credit Unions	Their profits are mainly distributed to their members and there is no profit cap, hence it is unlikely that there are social enterprises in this group.
Industrial and Provident Societies (e.g. cooperatives)	They are unlikely to meet the social enterprise criterion on profit and asset distribution.

3.3 Measurement of social enterprises

The social enterprise model is a relatively recent development in the Irish policy discourse. The absence of a common understanding of the concept and a common definition has meant that research into the sector has taken varying approaches to measurement.

In Ireland there are no national business surveys that include questions about social enterprises, meaning that the available evidence generally originates from research studies carried by academics, sector stakeholders, etc. The evidence base thus consists of snapshots at particular points in time. Variable methodologies also make comparisons between studies challenging.

The 2013 Forfás review reported that there were 1,420 social enterprises in Ireland in 2009, employing over 25,000 people, with a total income of around EUR 1.4 billion. This figure was derived from a Clann Credo (2011) study, and it should be noted that:

- This figure is not based on any definition of a social enterprise. Instead, the estimate was derived from the numbers of enterprises registered on a non-profit business database that were both companies limited by guarantee and registered charities. This was supplemented by experts' knowledge of the social enterprise sector.
- Data largely relate to 2009 (the date of registration).
- 63 per cent of them did not generate any revenues from trading activity - application of the EU operational definition would therefore reduce the total number of social enterprises among this group to around 520 (in 2009).

By way of context, in 2009 there were around 207,000 businesses active in Ireland¹⁶, which would mean that a fraction of 1 per cent of the total business population were believed to be social enterprises.

A further study (Prizeman and Crossan, 2011) sought to map what were termed 'social entrepreneurial enterprises' in Ireland. This included a range of enterprises that self-defined as having a 'primary objective of creating social value'. The sample frame for this mapping study consisted of: winners of an Irish award for social entrepreneurship, a directory of non-profit enterprises held by Trinity College Dublin (note not the same as the database of non-profit businesses used in the 2011 Clann Credo study), credit unions, and a database of

¹⁶ BRA18 Business Demography NACE Rev 2 by Activity, County, Statistic and Year (2006-2011)

organisations that expressed interest in the research of Trinity College Dublin. The results generated by this mapping study provide a picture of social entrepreneurial enterprises in Ireland, but have not been referenced in this summary due to uncertainties over the extent to which these organisations can be considered to be social enterprises (as defined by the EU operational definition).

3.4 Characteristics of social enterprises

In order to explore some characteristics of social enterprises, we must draw on the results of small-scale surveys. Note that no surveys have been undertaken with the social enterprises identified in the 2011 Clann Credo study.

The most comprehensive survey of social enterprises was undertaken in 2009 (Clarke and Eustace, 2009). Whilst it is not entirely clear what definition was used, a list of 176 social enterprises in nine counties/ cities was assembled by experts. A survey of these organisations was conducted and generated responses from a total of 106 organisations¹⁷. The results are likely to be skewed towards higher profile organisations that had come to the attention of local experts, but can still be considered to be robust enough to enable analysis of the results.

3.4.1 Legal forms

The study by Clarke and Eustace (2009) reported that Company Limited by Guarantee was the legal form of almost all social enterprises (91 per cent of the total). Discussions with stakeholders confirmed this, and it was noted that many charities have set up trading arms listed as Companies Limited by Guarantee. It was suggested that this is largely due to the conditions attached to grants, whereby cooperative models are not permissible.

3.4.2 Business models

Sources of income

By analysing disaggregated data on the types of income generated by social enterprises, the 2011 Clann Credo study was able to estimate the extent to which organisations were reliant on traded income¹⁸. It was found that almost two thirds of all 'social enterprises' (and community businesses) in Ireland did not generate *any* income from traded activities. The remaining social enterprises (and community businesses) together had a total traded income of EUR 243.5 million. This suggests that grants constitute a vital element of overall income for social enterprises in Ireland. These organisations, whilst considered social enterprises according to the definition employed by the Clann Credo study, qualify as social enterprises using either the 2013 Forfás definition of a social enterprise, or the EU operational definition.

Of the one third of social enterprises that did generate income from traded activities, on average just 17 % of income came from this source, indicating that grants remain a very important source of income even amongst those social enterprises that do operate on a more commercial basis.

Social impact

The social impact of the social enterprise sector in Ireland is predominantly twofold. Firstly, the sector is acclaimed with the potential to create and provide jobs to those most distant from the labour market, both spatially and socially. Estimates in 2009 approximated 25,000 direct jobs were created as a result of the social enterprise sector in Ireland and these were expected to triple if conducive conditions for sector growth continued¹⁹.

¹⁷ Counties Mayo (North East), Kerry (South), Monaghan and Wexford, Limerick city and Ballymun, Clondalkin, Dun Laoghaire/Rathdown and Tallaght in Dublin

¹⁸ Defined as: '*Fees & Income from Trading Activities and Other Activities, (other activities being casual income received whilst the organisation is carrying out its charitable activities)*'

¹⁹Forfás (July 2013) Social enterprise in Ireland: sectoral opportunities and policy issues

Secondly, as identified in the 2013 Forfás review, the social impact also encompasses the delivery of welfare services. This encompasses delivery of public sector services or where the private sector have not been able to develop a commercially viable solution.

Turnover

According to Clann Credo (2011), social enterprises were reported to have a total turnover of EUR 1.4 billion in 2009 (based on 1,420 enterprises). The average annual turnover of a social enterprise in Ireland was calculated to be just over EUR 1 million. However, this was skewed by the presence of a small number of large social enterprises (it was reported that one social enterprise had an annual turnover of more than EUR 200 million a year). Most social enterprises in Ireland are in fact small: around a third reported annual turnover of less than EUR 100,000, and 60 per cent reported annual turnover of less than EUR 300,000 a year.

Use of paid workers

The 1,420 social enterprises identified in the 2011 Clann Credo report were reported to employ around 25,000 people in 2009, which was equivalent to around 2 per cent of the total national workforce. On average, social enterprises were thus reported to employ around 17 people each.

Note that another estimate (Clarke and Eustace, 2009) put total employment in social enterprises at around 9,300 jobs in 2009, with another 5,300 supported indirectly. It was also reported that for every person employed by social enterprises, another person was activated as a volunteer (which would mean a further 9,000 people activated through social enterprises). It should be noted that this estimate was derived by grossing up nationally from a sample of the characteristics of social enterprises in nine counties. The study did not discuss the reliability of this estimate, or the extent to which the nine selected counties were reflective of the rest of Ireland.

There is a significant difference between the estimates of employment between the 2011 and 2009 studies – even though they relate to the same year – which results from the application of two different methodologies.

3.4.3 Fields of activity and target groups

According to the 2013 Forfás review, almost a third of all social enterprises were found to work in childcare. After this, there was a wide diversity of sectors, covering arts, tourism and leisure, social housing/ accommodation, social services, and environmental services. Almost a third of organisations classed themselves as multi-functional. No further disaggregation or definition was provided by the study²⁰.

More detailed evidence on the sector of operation of social enterprises in Ireland is provided by information on the sector of recipients of social investment by Clann Credo (the largest social investor in Ireland) (Clann Credo, 2011). Clearly this sample is skewed towards those organisations that were willing and able to secure loan finance, so results should be treated with caution. Of their 2011 outstanding loan portfolio, around a quarter of loans were with community facilities, and around ten per cent were with social enterprises in the arts and tourism sectors. Again, after this there was considerable diversity, encompassing enterprise centres, sports facilities, youth centres, social housing, and addiction/ counselling centres.

This picture is confirmed by the stakeholder interviews who refer to a wide range of activities including those that provide sheltered employment or have environmental missions. Most commonly though, social enterprises tend to complement and/ or fill gaps in public/ private sector infrastructure and service provision (e.g. child care, elderly care, health care, enterprise development, community services/ development, social housing, etc.).

²⁰Forfás (July 2013) Social enterprise in Ireland: sectoral opportunities and policy issues

3.4.4 Target groups

Reflecting the diversity of the field of activity, social enterprises in Ireland also targets a diverse range of groups and individuals, including the long-term unemployed, young people not in employment, education or training, disadvantaged and underinvested communities, people with mental health difficulties, people from disadvantaged groups and older people

3.5 Summary of mapping results

The social enterprise model is a relatively recent development in the Irish policy discourse. There is not yet a nationally agreed definition although the 2013 Forfás review provides one such definition which can be used for comparison to that adopted for this study.

- *A social enterprise must engage in economic activity* - this is in line with Forfás' definition which states social enterprises should 'earn at least part of their income from their trading activity';
- *A social enterprise must pursue an explicit and primary social aim* - pursuit of a social aim is considered a key requirement in the Forfás report however it lacks a firm definition of what constitutes a social aim;
- *It must have limits on distribution of profits and assets* - Forfás stipulates organisations must reinvest their profits to further social goals, analogous to the EU operational definition of a social enterprise;
- *It must be independent and participatory* - Forfás states social enterprises must be autonomous from the state however no inclusion of aspects regarding appropriately representing stakeholders is included as part of the definition.

Research into the sector reflects the freshness of the social enterprise model and is based on varying understandings and approaches to measurement. Best estimates approximate that there were 520 social enterprises in existence in 2009, equating to less than 1 per cent of businesses in Ireland.

Key characteristics of social enterprises in Ireland are:

Characteristic	Description
Legal form	Predominantly 'Company Limited by Guarantee'
Source of income	On average, generate only 17 per cent of their income from trading activities remaining relatively reliant on grants (Clann Credo, 2011)
Social impact	Create social impact via job creation as well as via the delivery of welfare services.
Turnover	Average turnover was calculated to be just over EUR 1 million. However, over one third of social enterprises reported annual turnover of less than EUR 100,000 (Clann Credo, 2011).
Use of paid workers	Estimated to employ around 25,000 people in 2009, representing approximately 2 per cent of the workforce (Clann Credo, 2011).
Fields of activity	A third work in childcare with other sectors including arts, tourism, leisure, social housing/ accommodation, social services and environment services (Forfás, 2013).

Table 3.3 Mapping the 'universe of social enterprises in country Ireland

Dimension	Criterion	Company Limited By Guarantee	Friendly Societies	Credit Unions	Industrial and Provident Societies
Entrepreneurial dimension	Engagement in economic activity	Yes	No	Yes	Yes
Social dimension	Social aim (public benefit)	Some, but not a requirement	Some, but not a requirement	Some, but not a requirement	Some, but not a requirement
Governance	Limits on distribution of profits and/or assets	Not a legal requirement	Not a legal requirement	Not a legal requirement	Not a legal requirement
	Autonomy - organisational autonomy	Yes	not known	Yes	Yes
	Inclusive governance	Not usually	not known	not known	Yes
Estimated number (2010 unless stated otherwise)		n/a	48	487²¹ (2009)	1,063
Estimated % meeting core criteria of the EU definition		n/a	n/a	n/a	n/a
Estimated number meeting core criteria		n/a	n/a	n/a	n/a
Entrepreneurial dimension	Share of income derived from : fees (incl. membership fees);trading income; rental income on assets; income from public contracting (both competitive tenders and direct contracting); grants and donations etc.	not known	not known	not known	not known
	The use of paid workers	Yes	Some	Some	Some

²¹<http://www.creditunion.ie/communications/events/agm2013/>

Dimension	Criterion	Company Limited By Guarantee	Friendly Societies	Credit Unions	Industrial and Provident Societies
Social dimension	Fields of activity	Any	Financial and social services	Lending	Mostly agriculture, group water schemes and housing
	Target groups (customers/ users of goods and services provided)	Any	Varies depending on society members	Any	Any
Governance	Transparency - a system for measuring and reporting impact	No	No	No	No

3.6 Opportunities and barriers

A 2009 survey of just over 100 social enterprises in nine counties/ cities asked social enterprises to indicate the challenges that they faced (Clarke and Eustace, 2009). Table 3.5 shows the barriers faced by this sample of social enterprises, though note that they were only allowed to respond to the given categories. Accessing sufficient finance was clearly a problem for social enterprises, whether this is external finance (e.g. grants and loans) or income earned through sales. It is also clear that many social enterprises recognise that they faced problems with internal capacity, particularly their ability to recruit skilled staff.

The problems listed in Table 3.5 arguably apply to most businesses, particularly SMEs. The results of discussions with sector stakeholders about the challenges that are specific to social enterprises are presented below.

Table 3.5 The proportion of social enterprises indicating that they faced selected challenges (response to a 2009 survey of social enterprises)

Dimension	Challenge	% of social enterprises identifying as a problem
Markets & the supply chain	Generating sufficient sales to cover costs	51%
	Sourcing suppliers	7%
Accessing funding & finance	Dealing with bureaucracy	52%
	Accessing funding for day to day activities	51%
	Accessing funding for capital expenditure	39%
Internal staff capacity & human resources	Recruiting the right employees	37%
	Finding time to develop strategy	32%
	Getting right blend of skills on Board	31%
	Getting Board members	27%
	Managing staff	23%
	Legal & corporate governance	14%

Source: Clarke and Eustace (2009).

These findings are generally consistent with the interviews undertaken for this study.

The lack of government support to the sector

Whilst there have been government support initiatives to support the development of the social economy more broadly (such as the SEP and the CSP, and the creation of the Social Finance Foundation), interviewees noted the absence thus far in Ireland of a comprehensive social enterprise support programme. For some, this has been indicative of a lack of awareness and joined-up thinking within Government about the needs of the sector.

Capacity and access to business support

Interviewees noted that social enterprises often face specific problems in terms of their internal capacity. Many have developed from community groups, and may be staffed almost entirely by volunteers, or may not have recruited staff to meet specific skills needs. Discussions with social investors highlighted a lack of business and investment skills as a key reason for the rejection of loan applications. It was noted that some social enterprises do not possess the necessary skills in terms of strategic business planning, assessment of markets, awareness and ability to manage risk, etc.

Interviewees also noted that social enterprises have traditionally been poor at accessing business support in order to address these capacity problems. 'Mainstream' business support, it was suggested, has not been effective at engaging with social enterprises, instead prioritising more traditional commercial businesses. Interviewees ascribed this to a lack of understanding of

the social enterprise model amongst business support agencies, and a policy focus on job and profit creation, and exports (which does not favour the social enterprise model).

Difficulties in accessing public procurement opportunities

The delivery of public services is a key market for social enterprises, and recent research/advocacy papers have stressed the need to address barriers to public procurement opportunities if social enterprises in Ireland are to grow. Specifically, anecdotal evidence suggests that there is not a level playing field in access to public procurement markets, which means that social enterprises are placed at a disadvantage in comparison to commercial enterprises (Clarke and Eustace, 2009).

Discussions with stakeholders have suggested that one of the key problems for social enterprises is the size of public contracts, which can be very large in value. Social enterprises in Ireland are typically small, with very few full-time staff and limited capacity to respond to tenders. It was suggested that they are often simply unable to meet tendering requirements, for instance insurance thresholds²².

Advocacy from within the sector has called for the introduction of community benefit or social clauses within public services commissioning, in order to build in recognition of the wider societal benefits to contracting with social enterprises²³. It has also been suggested that public contracts could be broken up into smaller units, thus enabling social enterprises to bid²⁴.

Access to finance

Private organisations provide accessible and affordable finance to projects in the social enterprise sector. However, access to appropriate start-up, equity and other capital remains a significant challenge. Irish social enterprises rely on state funding for a significant portion of their income. The requirements of state funding favour the limited company model but this does prevent such social enterprises borrowing from credit unions which may lend to co-operatives but cannot lend to limited companies.

Social enterprises often struggle to secure finance from mainstream sources, such as banks. As interviewees noted, banks may not be able to understand the social enterprise model and accurately price risk (leading to onerous collateral requirements). No data are available to enable assessment of the scale of this issue since there are no surveys of social enterprises in Ireland that have explored access to finance behaviour.

There is, however, a social investment infrastructure in Ireland that to some extent fills the gaps in the provision of mainstream finance. As set out in Section **Error! Reference source not found.**, there is capital available for lending to social enterprises, and interviewees have suggested that one of the key barriers to accessing finance is the level and quality of demand from social enterprises. As noted previously, grants form a key part of social enterprises' income stream, and government programmes within the social economy (SEP and CSP) have made grants widely available (albeit linked to their ability to generate traded income in the case of CSP). The extent to which this has fostered a culture of 'grant-dependency' is something that further research into access to finance behaviours needs to explore.

Legal constraints

Whilst there are no legislative, regulatory or other rules specifically hindering the development of social enterprises in Ireland, Irish law and regulation does not consider the characteristics of social enterprise and thus operates as an indirect practical barrier to the development of social enterprise.

²² Stakeholder interview.

²³ The Social Enterprise Task Force (2012) *Unlocking the Potential of Social Enterprise & Entrepreneurship: A Submission to Forfás*.

²⁴ Stakeholder interview.

There is an absence of incentives to encourage social enterprise formation and there is currently no fiscal benefit to operating an enterprise specifically as a social enterprise. A social enterprise may be able to benefit from certain tax exemptions available to charitable organisations where the main object of the social enterprise falls within the definition of 'charitable purpose'. However, charitable tax status can also act as a deterrent to investment as the Revenue Commissioners require that bodies with charitable tax status apply the income and property of the body solely towards the promotion of its main charitable object as set out in the charity's governing instrument. Similarly, the directors or trustees of a social enterprise with charitable tax status are generally not permitted to receive any remuneration from the social enterprise other than refunds of out of pocket expenses.

3.7 Future perspectives

In terms of developing the social enterprise 'sector', the 2013 Forfás review identifies a number of requirements and recommendations²⁵. These recommendations are centred on the following themes/ areas:

- *development and adoption of a government policy on social enterprise* – e.g. adopt proposed definition, establish institutional oversight and co-ordination mechanisms, measure the sector and evaluate impact;
- *capacity building in the sector* – e.g. develop business support and mentoring models, ensure investment readiness, include social enterprise in mainstream academic business courses, integrate social enterprises in existing work placement programmes;
- *improve access to public procurement* - e.g. include social considerations in public procurement processes, encourage collaboration with commercial enterprises, capacity building;
- *funding and finance* – e.g. expand remit of credit unions, develop new finance options (impact investment, venture philanthropy, social impact bonds), make better use of EU funds (particularly ESF and ERDF);
- *developing leaders and harnessing community support* – e.g. build management capacity in social enterprises through existing work placement programmes; and
- *governance* – e.g. ensure that tax and benefit system does not create disincentives, promote co-operative model in certain sectors.

Importantly, these align well with the barriers and constraints identified by the stakeholders as part of this study.

²⁵Forfás (July 2013) Social enterprise in Ireland: sectoral opportunities and policy issues

Annex 1 Comparative overview of legal forms commonly used by social enterprises in Ireland

Legal form	Company limited by guarantee (“CLG”)	Company limited by shares (“CLS”)	Unincorporated Association
Definition	<p>A CLG has a two tier structure of directors and members like a company limited by shares but rather than shareholders, its members are guarantors who agree to contribute a specified amount, usually €1, in the event that the company is wound up. A company limited by guarantee does not have share capital.</p> <p>A CLG can be used as the legal form for a not-for-profit organisation because it does not have shares and usually have provisions in its Articles of Association that prohibit the payment of dividends to its members.</p> <p>However, provided the CLG does not have charitable status or some other restriction set out in its Articles of Association which prohibits it from doing so, the company can enter into contracts with its members to provide bonuses which are related to the company’s performance.</p> <p>Guarantee Companies which have a “charitable purpose” as their main object can apply to the Revenue Commissioners for particular tax exemptions, which, if granted, result in such charitable bodies being issued with a “CHY number”.</p>	<p>A CLS is a form of company commonly used by for-profit organisations. A CLS is typically established with commercial aims, to distribute profits to its shareholders. A company established with solely commercial aims would not be considered a social enterprise.</p> <p>A social enterprise can use a CLS as its legal form. The constitution (Memorandum and Articles of Association) of a CLS can be drafted to provide for the features of a social enterprise. For example, the Memorandum can include social purposes and the Articles can include provisions which cap the dividends that can be paid to shareholders.</p> <p>CLSs which have a “charitable purpose” as their main object can apply to the Revenue Commissioners for particular tax exemptions, which, if granted, result in such charitable bodies being issued with a “CHY number”.</p>	<p>An unincorporated association is a collection of individuals who have agreed to come together for a common purpose.</p> <p>It has no separate legal personality of its own and the legal title to any property is vested in the members or, if there are a large number of members, in the names of some of them.</p> <p>This legal form is suitable for not-for-profit organisations as, not having a share capital, it cannot pay dividends to its members. This elimination of the element of profit has attracted bodies engaged in social enterprise to this form of entity.</p>
Key national legislation governing the legal form	Companies Acts 1963 to 2013	Companies Acts 1963 to 2013	There is no specific legislation or regulation that governs their activities. Members’ dealing with each other are regulated under the law of contract.
Whether the legal form is used exclusively or not exclusively for social enterprise	<p>Not exclusively for social enterprises.</p> <p>The objects clause in the Memorandum of Association of a CLG sets out the parameters</p>	<p>Not exclusively for social enterprises.</p> <p>The objects clause in the Memorandum of Association of a CLS sets out the parameters</p>	<p>Not exclusively for social enterprises.</p> <p>The constitution of an unincorporated association will usually set out the parameters</p>

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	<p>of the permitted corporate activity of that company. A CLG can pursue any of the purposes (known as ‘objects’) set out in the company’s objects clause. The objects clause ordinarily contains a number of sub-clauses to ensure that the parameters of the company’s permitted activities are as broad as possible.</p> <p>The objects clause of a social enterprise that has been incorporated as a CLG will generally include a reference to the enterprise’s main social aim(s).</p> <p>A company that intends to apply to the Revenue Commissioners to be issued with a CHY number must specify a single “main object” which falls within one or more of the allowed charitable purposes.</p>	<p>of the permitted corporate activity of that company. A CLS can pursue any of the purposes (known as ‘objects’) set out in the company’s objects clause. The objects clause ordinarily contains a number of sub-clauses to ensure that the parameters of the company’s permitted activities are as broad as possible.</p> <p>The objects clause of a social enterprise that has been incorporated as a CLS will generally include a reference to the enterprise’s main social aim(s).</p> <p>A company that intends to apply to the Revenue Commissioners to be issued with a CHY number must specify a single “main object” which falls within one or more of the allowed charitable purposes.</p>	<p>of its permitted activities and powers. The constitution of a social enterprise structured as an unincorporated association will generally include a reference to the enterprise’s main social aim(s).</p> <p>Unincorporated associations which have a “charitable purpose” as their main object can apply to the Revenue Commissioners for particular tax exemptions, which, if granted, result in such charitable bodies being issued with a “CHY number”.</p>
Methods of creation	<p>To incorporate a CLG:</p> <ul style="list-style-type: none"> ■ Application to Companies Registration Office; ■ A Memorandum of Association; ■ Articles of Association; <p>To apply for a CHY number from the Revenue Commissioners, the following documents must be submitted to the Charities Section of the Revenue Commissioners:</p> <ul style="list-style-type: none"> ■ Form CHY1 (application form); ■ Memorandum and Articles of Association in draft format. 	<p>To incorporate a CLS:</p> <ul style="list-style-type: none"> ■ Application to Companies Registration Office; ■ A Memorandum of Association; ■ Articles of Association; <p>To apply for a CHY number from the Revenue Commissioners, the following documents must be submitted to the Charities Section of the Revenue Commissioners:</p> <ul style="list-style-type: none"> ■ Form CHY1 (application form); ■ Memorandum and Articles of Association in draft format. 	<p>There are no formal registration requirements or official consents needed to establish an unincorporated association.</p> <p>To apply for a CHY number from the Revenue Commissioners, the following documents must be submitted to the Charities Section of the Revenue Commissioners:</p> <ul style="list-style-type: none"> ■ Form CHY1 (application form); ■ Constitution in draft format.
Required capital or assets	No required capital or assets.	A company limited by shares may have an infinitely small issued share capital but it must have a par value of which at least 5% is paid up.	<p>Not applicable to legal form.</p> <p>As an unincorporated association has no legal personality of its own, the legal title to any property is vested in the members.</p>
Management and	A CLG must have at least 2 directors. The	A CLS must have at least 2 directors. The	There are no general legal requirements setting

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corporate governance	<p>Articles of Association may prescribe a maximum number of directors.</p> <p>In order to obtain a CHY number, the Revenue Commissioners require a minimum of 3 directors, 2 of whom must be resident in Ireland.</p> <p>The board of directors is responsible for the administration and management of the company.</p> <p>Directors must be appointed and removed in accordance with the company’s Articles of Association. If no form of appointment is set down, directors must be elected and removed by ordinary resolution of the members in general meeting.</p> <p>Board members’ legal duties include avoiding conflicts of interest. To the extent that the company exists for a social purpose, as set out in the Memorandum and Articles, the obligation of the directors is to advance the social purpose rather than to promote the success of the company for the benefit of members.</p>	<p>Articles of Association may prescribe a maximum number of directors.</p> <p>In order to obtain a CHY number, the Revenue Commissioners require a minimum of 3 directors, 2 of whom must be resident in Ireland.</p> <p>The board of directors is responsible for the administration and management of the company.</p> <p>Directors must be appointed and removed in accordance with the company’s Articles of Association. If no form of appointment is set down, directors must be elected and removed by ordinary resolution of the members in general meeting.</p> <p>Board members’ legal duties include avoiding conflicts of interest. To the extent that the company exists for a social purpose, as set out in the Memorandum and Articles, the obligation of the directors is to advance the social purpose rather than to promote the success of the company for the benefit of members.</p>	<p>out a minimum or maximum of the number of officers for an unincorporated association.</p> <p>However, in order for an unincorporated association to obtain charitable tax status, the Revenue Commissioners will require a minimum of 3 officers, 2 of whom must be resident in Ireland.</p> <p>An unincorporated association may have a governing committee but is not required to do so. The rules of the unincorporated association will set out the procedures applicable to the appointment or removal of officers of the governing committee.</p> <p>Where the rules of an unincorporated association provide for a governing committee or similar governing body, the members of the governing body are bound by the objects of the association and they are under a duty not to do anything that is outside the scope of the objects of the association. If they do so, they risk being in breach of trust and being made personally liable for any loss to the funds or if the funds are misapplied.</p>
Rights of members	<p>Legal form has members.</p> <p>A CLG must have at least seven members.</p> <p>Ultimate control of the CLG rests with the members because of their rights to attend, speak and vote at general meetings. They can pass resolutions which change the Memorandum and Articles of Association and to appoint and remove directors.</p> <p>Members have the right to receive the annual accounts, including the directors’ and auditors’ reports.</p>	<p>Legal form has members.</p> <p>A CLS must have at least 1 member.</p> <p>Ultimate control of the CLS rests with the members because of their rights to attend, speak and vote at general meetings. They can pass resolutions which change the Memorandum and Articles of Association and to appoint and remove directors.</p> <p>Members have the right to receive the annual accounts, including the directors’ and auditors’ reports.</p>	<p>An unincorporated association consists of two or more persons, known as “members”, bound together for one or more common purposes.</p> <p>The role of the members in the legal form’s governance and the rights of the members are prescribed by the rules of the association.</p>

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Voting and representation of members in general meetings	<p>A meeting of the members of the company, in the form of an Annual General Meeting (“AGM”), must be held at least once each calendar year. Twenty-one clear days’ notice of an AGM must be given to members.</p> <p>Any meeting of the members of the company, other than the AGM, is called an Extraordinary General Meeting (“EGM”). An EGM may be convened by the directors or the members may require the directors to convene such a meeting. Fourteen clear days’ notice is required for an EGM where it is intended to pass an ordinary resolution and twenty-one clear days’ notice is required where it is proposed to pass a special resolution.</p> <p>An ordinary resolution may be passed by a simple majority of votes, while a special resolution requires a 75% majority.</p> <p>Members may appoint a proxy to attend and vote at a members’ meeting on their behalf. The proxy does not have to be another member.</p>	<p>A meeting of the members of the company, in the form of an Annual General Meeting (“AGM”), must be held at least once each calendar year. Twenty-one clear days’ notice of an AGM must be given to members.</p> <p>Any meeting of the members of the company, other than the AGM, is called an Extraordinary General Meeting (“EGM”). An EGM may be convened by the directors or the members may require the directors to convene such a meeting. Fourteen clear days’ notice is required for an EGM where it is intended to pass an ordinary resolution and twenty-one clear days’ notice is required where it is proposed to pass a special resolution.</p> <p>An ordinary resolution may be passed by a simple majority of votes, while a special resolution requires a 75% majority.</p> <p>Members may appoint a proxy to attend and vote at a members’ meeting on their behalf. The proxy does not have to be another member.</p>	Members are represented in accordance with the rules of the association.
Types of shares, if any	Not applicable to legal form.	Legal form has shares. Shares usually carry voting rights but this is not always the case. The rights attaching to the shares are set out in the Articles of Association.	Not applicable to legal form.
Distribution of dividends on share capital (admissibility and restrictions)	Not applicable to legal form.	<p>Subject to the availability of distributable reserves, there are no limits on dividends unless the Articles of Association include any limits.</p> <p>The Articles of Association of a social enterprise may include restrictions or prohibitions on the payment of dividends or provide that dividends may only be payable in</p>	Not applicable to legal form.

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		specified circumstances. The Revenue Commissioners usually require a CLS with charitable tax status to include in its Memorandum and Articles of Association a clause prohibiting the making of dividends to its members.	
Distribution of reserves (admissibility and restrictions)	No legal provisions regarding reserves.	No legal provisions regarding reserves.	No legal provisions regarding reserves.
Allocation of the surplus particularly to compulsory legal reserve funds	No requirement to allocate surpluses to compulsory legal reserve funds.	No requirement to allocate surpluses to compulsory legal reserve funds.	No requirement to allocate surpluses to compulsory legal reserve funds.
Distinction dividends/refunds and distribution of refunds	Refunds not applicable to legal form.	A CLS may apply to court to reduce its share capital in order to make a distribution to its shareholders.	Refunds not applicable to legal form.
Restrictions on ability to trade	No restrictions unless charitable (see below). The objects set out in the CLG’s Memorandum of Association may include a reference to a social enterprise’s social aim(s). The CLG should only pursue activity which is consistent with the Memorandum of Association, which include its stated social aim(s). A CLG with charitable tax status must apply its income solely towards its main object and are generally required to obtain the prior permission of the Revenue Commissioners where it is intended to accumulate funds for a period in excess of 2 years.	A CLS is only restricted by the parameters of its objects clause and, often its permitted objects are drafted in broad terms. The objects set out in the company’s Memorandum of Association may include a reference to a social enterprise’s social aim(s). If this is the case then the company should only pursue activity which is consistent with the stated social aim. A CLS with charitable tax status must apply its income solely towards its main object and is generally required to obtain the prior permission of the Revenue Commissioners where it is intended to accumulate funds for a period in excess of 2 years.	An association is only restricted by the parameters of its rules of its constitution. The rules may include a reference to a social enterprise’s social aim(s). If this is the case then the association should only pursue activity which is consistent with the stated social aim. An association with charitable tax status must apply its income solely towards its main object.
Internal financing (eg. investment title, member investors, increase in members contributions)	The CLG’s Articles of Association can stipulate that membership of the company is subject to members paying subscriptions which are essentially a membership fee. This is a separate and different requirement to members	Subject to any restrictions set out in the Articles of Association, a CLS can access external investment in the same way as a for-profit commercial company. A CLS can allot or issue shares to its members to raise capital.	An unincorporated association’s rules can stipulate that members are required to pay subscriptions which are essentially a membership fee.

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	<p>providing a guarantee in the event of a company winding up.</p> <p>The level of subscriptions can be set out in the Articles of Association but it is more usual for the Articles of Association to give directors the power to determine what the level of subscription should be.</p> <p>A CLG can also seek donations or loans from its members.</p>	<p>An investor who makes an equity investment into the company by purchasing shares will become a member of the company.</p> <p>A CLS can also seek donations and loans from its members.</p>	<p>An unincorporated association can also seek donations or loans from its members.</p>
<p>External financing (e.g. banking loans, issuing bonds, specific investment funds) including possibility for non-member investors</p>	<p>A CLG does not have shares and accordingly cannot raise funds by way of equity investment.</p> <p>However, a CLG can attract investment from third parties by way of loan finance or by the issue of debt securities. A CLG can also seek grants or donations from other financiers.</p>	<p>A CLS can be financed by offering equity in the company in return for external investment, loans or other forms of debt, such as bonds.</p> <p>If the investor is providing a loan or purchasing bonds, there is no requirement for an investor to become a member.</p>	<p>An unincorporated association does not have shares and accordingly cannot raise funds by way of equity investment.</p> <p>An unincorporated association can attract investment from third parties by way of loan finance, grants and donations. It cannot, however, issue debt securities.</p>
<p>Transparency and publicity requirements (and related auditing issues)</p>	<p>The CLG must file an annual return at Companies Registration Office. Companies must attach to the annual return the company’s profit and loss account, balance sheet, auditor’s report and directors’ report.</p> <p>A CLG is required to appoint a duly qualified independent auditor and attach audited accounts to its annual returns.</p>	<p>The CLS must file an annual return at Companies Registration Office. Unless otherwise exempt, companies must attach to the annual return the company’s profit and loss account, balance sheet, auditor’s report and directors’ report.</p> <p>A CLS’s annual accounts for a financial year must be audited unless the company is exempt from audit under a small company exemption.</p>	<p>An unincorporated association is not required to file an annual return or accounts nor have its accounts audited.</p> <p>An unincorporated association with charitable tax status will be required by the Revenue Commissioners to contain within its constitution a clause that requires the association to keep annual accounts and make them available to the Revenue Commissioners on request. In the case of a body with income in excess of €100,000 per annum, the Revenue Commissioners require audited accounts to be submitted.</p>
<p>Employee involvement systems</p>	<p>Paid members of staff of the CLG can sit as directors on the company’s board. However, if the CLG has a CHY number, it will be restricted by its Memorandum and Articles of Association from making payments to those persons who serve as directors.</p>	<p>Paid members of staff of the company can sit as directors on the company’s board. However, if the CLS has a CHY number, it will be restricted by its Memorandum and Articles of Association from making payments to those persons who serve as directors.</p>	<p>Paid members of staff of the can sit association’s governing body but there is no legal requirement for a company to do so. However, if the association has a CHY number, it will be restricted by its constitution from making payments to those persons who serve</p>

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	<p>Companies can involve their staff in other ways, such as establishing consultative boards or encouraging a staff representative to join the board, but there is no legal requirement for a company to do so.</p>	<p>Companies can involve their staff in other ways, such as establishing consultative boards or encouraging a staff representative to join the board, but there is no legal requirement for a company to do so.</p> <p>A CLS can structure its internal affairs to incentivise staff as it wishes. A range of options are available from forms of share option to ownership by an employee benefit trust where the employees as a group may have indirect ownership of a substantial part of the company.</p>	<p>as officers.</p> <p>Employees may receive a portion of the association’s profits in accordance with the terms of any bonus or incentive scheme agreed with the company.</p>
<p>Rules on bankruptcy, receivership, winding up, voluntary or mandatory liquidation</p>	<p>A CLG is wound up:</p> <p>when the period, if any, fixed for the duration of the company by the Articles of Association expires; or</p> <p>the event, if any, occurs on the occurrence of which the Articles of Association provide that the company is to be dissolved;</p> <p>and the members have passed a resolution that the company be wound up voluntarily.</p> <p>The main rescue procedure under Irish law is known as Examinership. Here the company or its directors, creditors or members may apply to court to have an examiner appointed. The examiner formulates proposals for a scheme of arrangement in respect of the company, its creditors and members and the viability of the company.</p> <p>There are a number of insolvency procedures for companies which are unable to pay their debts as they fall due:</p> <p>Receivership – This involves the appointment of an individual, known as a ‘receiver’, either by</p>	<p>A solvent company is wound up:</p> <p>when the period, if any, fixed for the duration of the company by the Articles of Association expires; or</p> <p>the event, if any, occurs on the occurrence of which the Articles of Association provide that the company is to be dissolved;</p> <p>and the members have passed a resolution that the company be wound up voluntarily.</p> <p>The main rescue procedure under Irish law is known as Examinership. Here the company or its directors, creditors or members may apply to court to have an examiner appointed. The examiner formulates proposals for a scheme of arrangement in respect of the company, its creditors and members and the viability of the company.</p> <p>There are a number of insolvency procedures for companies which are unable to pay their debts as they fall due:</p> <p>Receivership – This involves the appointment of an individual, known as a ‘receiver’, either by</p>	<p>An unincorporated association is wound up in accordance with the association’s rules. An association can also be wound up on the decision of a majority of the members.</p> <p>As an unincorporated association does not have a separate legal personality and, where the association is unable to pay its debts, the members as individuals will be liable for these debts.</p>

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	<p>the court or by a creditor of a company to sell or manage specified assets in satisfaction of a debt.</p> <p>Members Voluntary Liquidation –This process involves the appointment of a liquidator who takes control of the company and, in accordance with the rules set out in the Companies Acts, he collects its assets, pays its debts and distributes the surplus, if any, among the members and in accordance with their rights. On completion of the liquidation the company is dissolved.</p> <p>Creditors Voluntary Liquidation - This is similar to Members Voluntary Liquidation (above) except that it is commenced in circumstances where the company is unable to pay its debts as they fall due.</p> <p>Compulsory Liquidation - The creditors may apply to the Court for the company to be wound up on the ground that it is unable to pay its debts.</p>	<p>the court or by a creditor of a company to sell or manage specified assets in satisfaction of a debt.</p> <p>Members Voluntary Liquidation - This process involves the appointment of a liquidator who takes control of the company and, in accordance with the rules set out in the Companies Acts, he collects its assets, pays its debts and distributes the surplus, if any, among the members and in accordance with their rights. On completion of the liquidation the company is dissolved.</p> <p>Creditors Voluntary Liquidation - This is similar to Members Voluntary Liquidation (above) except that it is commenced in circumstances where the company is unable to pay its debts as they fall due.</p> <p>Compulsory Liquidation - The creditors may apply to the Court for the company to be wound up on the ground that it is unable to pay its debts.</p>	
Distribution of the proceeds of dissolution, liquidation, disinvestment (in particular provision of asset lock)	<p>Any surplus assets and capital can be distributed between the members, provided the Articles of Association do not include an alternative provision.</p> <p>A CLG with charitable tax status is required by the Revenue Commissioners to have in its Memorandum of Association a clause providing that upon the winding up or dissolution of the company, the assets of the company will not be distributed amongst its members but will be applied to another entity with charitable tax status having similar objects to that of the company.</p>	<p>Any surplus assets and capital can be distributed between the members, provided the Articles of Association do not include an alternative provision.</p> <p>A CLS with charitable tax status is required by the Revenue Commissioners to have in its Memorandum of Association a clause providing that upon the winding up or dissolution of the company, the assets of the company will not be distributed amongst its members but will be applied to another entity with charitable tax status having similar objects to that of the company.</p>	<p>Surplus assets are distributed in accordance with the association’s rules.</p> <p>An unincorporated association with charitable tax status is required by the Revenue Commissioners to have in its written constitution a clause providing that upon the winding up or dissolution of the association, the assets of the association will not be distributed amongst its members but will be applied to another entity with charitable tax status having similar objects to that of the association.</p>
Conversion to another	A CLG may convert to an industrial and	A CLS may convert to a number of different	Although it is not possible for an

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form of company	<p data-bbox="479 248 667 272">provident society.</p> <p data-bbox="479 309 981 392">A CLG may apply for charitable tax status by making an application for a CHY number to the Revenue Commissioners.</p>	<p data-bbox="1010 248 1509 331">types of legal form including a public limited company, an unlimited company and an industrial and provident society.</p> <p data-bbox="1010 368 1509 419">However, it is not possible to convert a CLS into a CLG.</p> <p data-bbox="1010 456 1509 536">A CLS may apply for charitable tax status by making an application for a CHY number to the Revenue Commissioners.</p>	<p data-bbox="1536 248 2036 392">unincorporated association to directly convert into a different type of legal form, its members may agree to incorporate a company in the ordinary course and transfer the assets of the association into the company.</p> <p data-bbox="1536 429 2036 536">An unincorporated association may also apply for charitable tax status by making an application for a CHY number to the Revenue Commissioners.</p>

Annex 2 List of Information Sources

A2.1 References

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A2.2 List of consultees

Name of the person interviewed	Organisation/ Role	Stakeholder category
Jonathan Healy	Senior Economist at Forfás	Government
Chris Gordon	Chairman of the Irish Social Enterprise Network	Sector representative
Paul O'Sullivan	Chief Executive of Clann Credo	Senior Investment Finance Intermediary
Brendan Whelan	Chief Executive Officer of the Social Finance Foundation	Social Investment Finance Intermediary
Donal Traynor	Client Relationship Executive at UCIT (Ireland)	Social Investment Finance Intermediary
John Kearns	Chief Executive, PARTAS	Social enterprise support
Tom Daly	Managing Director, TSA Consultancy/ Development Officer, SEDCo	Social enterprise support and consultancy
Bernie Walsh	Manager, Sunflower Recycling	Social enterprise