



# **Social Enterprises and their Eco-systems: A European mapping report**

Updated country report: Ireland



2016

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Europe*

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# **Social Enterprises and their Eco-systems: A European mapping report**

Updated country report: Ireland

This report provides an overview of the social enterprise landscape in Ireland based on available information as of July 2016. The report updates a previous version, submitted by ICF Consulting Services to the European Commission in 2014.

The current report has been prepared as part of a contract commissioned by the European Commission to TIPIK communication agency to update the country reports for seven countries. The research work has been conducted under the supervision and coordination of Euricse and the EMES European Research Network. The revision of the report was carried out by Mary O'Shaughnessy, University College Cork, Ireland. The author acknowledges the valuable input from various stakeholders as well as from EU level project coordinators (Carlo Borzaga, Giulia Galera, Rocío Nogales) and from members of the advisory board (Nadia Johannisova, Fergus Lyon, Victor Pestoff).

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Social Enterprises and their Eco-systems  
Updated country report: Ireland

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## LIST OF ACRONYMS

BDL	Ballyhoura Development Ltd.
CSP	Community Services Programme
GLG	Company Limited by Guarantee
CLS	Company Limited by Share
CHY	Charity Number
CRA	Charities Regulatory Authority
CFI	Community Finance (Ireland)
COSME	Competitiveness of Enterprises and Small and Medium-Sized Enterprises
EAFRD	European Agricultural Fund for Rural Development EAFRD
Forfás	(The national policy advisory board for enterprise, trade, science, technology and innovation in Ireland)
FDCL	Frenchpark and Districts Childcare Ltd
FETAC	Further Education and Training Awards Council
HSE	Health Service Executive
ILCU	Irish League of Credit Unions
LRDA	Lisdoonan Recreational Development Association Ltd.
LDC	Local Development Company
LEO	Local Enterprise Office
LEADER	Liaisons entre actions de developpement de l'économie rurale
MFI	Microfinance Ireland
NESF	National Economic Social Forum
OGP	Office of Government Procurement
PLANET	Partnership Network for Irish area-based partnerships
RCCNCL	Rural Community Care Network Caring Ltd
RIDC	Roscommon Integrated Development Company
SEP	Social Economy Programme
SEI	Social Entrepreneurs Ireland
SFF	Social Finance Foundation
SME	Small and Medium Enterprise
SETF	Social Enterprise Task Force
SICAP	Social Inclusion & Community Activation Programme
WISE	Work Integration Social Enterprise

## EXECUTIVE SUMMARY

Viewed as a small but growing part of the enterprise base, there is widespread acceptance of the contribution of social enterprise to national social and economic development. Rooted in a rich social economy tradition, the term 'social enterprise' first came to prominence in Irish policy discourse in the 1990s and was typically viewed as a response to community service provision and work integration. This association with service provision and labour market integration has persisted in national discourse, as reflected in the Action Plan for Jobs (2012) and the subsequent Programme for Government 2011-16 which contains a promise to promote the development of the sector.

The most recent national operational definition of a social enterprise defines it as 'an enterprise that trades for a social/societal purpose, where at least part of its income is earned from its trading activity, is separate from government, and where the surplus is primarily re-invested in the social objective'. Four main types of (non-mutually exclusive) social enterprise have been identified: those with commercial opportunities that are established to create a social return; those creating employment opportunities for marginalised groups; economic and community development organisations; and those that deliver services.

The eco-system for Irish social enterprises has been enriched in the last decade through the emergence of national support networks, advocacy groups for the sector and increased access to social and micro-financial support mechanisms as a result of national, EU and philanthropic support. New opportunities for social enterprises are presented in the recent transposition of two EU Directives into Irish law in 2016. The two Regulations cover public procurement in the public service and the utilities sector, and include provisions allowing for discretion to divide public contracts into lots and for particular contracts to be reserved for social enterprises under certain conditions.

However despite these emerging potential opportunities the future development of the sector is also constrained by a variety of internal sectoral factors including: the need for improved business and governance skills; the need for increased capacity to engage in the future competitive tendering process for public sector contracts; and the development and implementation of appropriate social impact and performance measurement systems.

While Irish law does not currently provide for a legal form specifically tailored for use by social enterprises, Irish social enterprises typically adopt the legal form of a Company Limited by Guarantee (CLG) with charitable status and are estimated to employ between 25 000 and 33 000 people in over 1 400 social enterprises, with a total income of around EUR 1.4 billion. However there are considerable gaps in our knowledge about Irish social enterprises, including the scale, social impact, and overall contribution of the sector to the national economy and society in general. Addressing these gaps is an important next step in improving our understanding of social enterprise and in assessing its significance, value and true potential.

## 1. BACKGROUND

In Ireland social enterprises are regarded as a business model that tackles social, economic or environmental issues. Viewed as a small but growing part of the enterprise base, there is widespread acknowledgment of their contribution to national, regional and local social and economic development.

The term social enterprise first emerged in Irish policy discourse in the 1990s. Reflecting a European policy trend, the evolving discourse was influenced by a National Economic Social Forum (NESF) study of the job potential of the service sector. This study identified social enterprises as having the potential to provide goods and services to disadvantaged communities, in the instance of market and public failure, and in the process to facilitate local labour market integration (NESF, 1995). This acceptance of the role of social enterprises in service provision and labour market integration has persisted since the 1990s and is reflected in the current national operational definition. Social enterprises are understood as 'an enterprise that trades for a social/societal purpose, where at least part of its income is earned from its trading activity, is separate from government, and where the surplus is primarily re-invested in the social objective'.

More recently, two developments in particular have propelled social enterprises to greater prominence in public discourse: the economic crisis associated with the Irish economy; and the emergence of advocacy organisations associated for the sector. The economic crisis refocused policy attention on job creation, while the growth in advocacy for social enterprise has projected the sector as relatively underdeveloped but with the potential to contribute to significant employment creation and more effective service provision. The delivery of public services has been acknowledged as a key potential market for Irish social enterprises. This potential is closer to being realised with the creation of the Office of Government Procurement (OPG) and the recent transposition, into Irish law, of two new EU directives concerning public procurement in the public services and utilities sector. These changes, coupled with a strengthened social, and micro, finance support system represent significant future opportunities for the future development of the sector.

## 2. SOCIAL ENTERPRISE ROOTS AND DRIVERS

By the mid-1990s the main drivers of the social enterprise agenda included the Irish government and advocacy groups for the long-term unemployed. By 1997, PLANET - the Partnership Network for Irish area-based partnerships with responsibility for tackling unemployment - had published two position papers on how the sector could be developed and supported to provide community-based services and tackle unemployment and social exclusion (PLANET, 1997, 2005; WRC, 1999). The Irish government responded by establishing the Partnership 2000 Working Group on the Social Economy. This Working Group reinforced the association between social enterprise, labour market integration and service delivery to disadvantaged communities and identified three types of social enterprise as targets for government support. The group also recommended the establishment of a national social economy programme, which was established in 2000 and later revamped as the Community Services Programme (CSP) in 2006. As a result of the specific nature of this statutory support, many of the emerging social enterprises since the 1990s can be described as WISEs (work integration social enterprises) with the dual objective of delivering services to disadvantaged communities and providing work integration opportunities to groups at risk of social and economic exclusion. The EU LEADER (rural development) programme has also served to drive the development of Irish social enterprises. Studies of rural based social enterprises have confirmed the significance of Irish local development companies (LDCs) - not for profit, community based structures - in stimulating, supporting and promoting rural-based social enterprises, providing a range of hard and soft supports including: capital financial assistance; business mentoring; leadership and governance training; marketing support; and the facilitating of networking events.

By 2009, in addition to continued state support for the development of social enterprise, a number of advocacy organisations for the sector had emerged with political and philanthropic support, including the Social Enterprise Task Force (SETF), Social Entrepreneurs Ireland and the Irish Social Enterprise Network. These networks, in particular the SETF, liaise with the Irish government to highlight the potential role of social enterprise in national economic development. The perceived significance of the sector for national economic recovery was reflected in the Programme of Government for 2011-16 which stated, 'The Government will promote the development of a vibrant and effective social enterprise sector and 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. This report was published in 2013, followed by the appointment of a cross-departmental 'minister for social enterprise' whose purpose was to drive forward the social enterprise agenda. This meant that for the first time there was ministerial-level leadership to promote and support the interests of social enterprises. This was followed by the creation of an Interdepartmental Working Group with a focus on including the social enterprise agenda in the EU Ireland Partnership Agreement and Operational Programmes for 2014-20 (Hynes, 2016). However, following a general election in early 2016, Ireland's first minority government since 1989 was established in April 2016, and criticism has been directed at the decision not to renew this post. Despite this however, there are some recent developments that continue to drive the social enterprise agenda including: the THINKTECH initiative, a EUR 1 million project created by Social Innovation Fund Ireland with support from Google.org and the Irish Government, launched in 2016 specifically targeting social enterprises with innovative business ideas that use technology to create a positive social impact; confirmation that Irish LDCs are charged with developing social enterprise in local communities (the sector in which the great majority of Irish social enterprises are typically embedded); and two new EU Directives - new regulations covering public procurement in the public service and in the utilities - which were transposed into Irish law on 5 May 2016.

## **2.1. Defining social enterprise boundaries**

### **2.1.1. EU operational definition of social enterprise**

This report draws on the organisational definition as included in the Social Business Initiative of 2011 that was further implemented by the Mapping Study (EC, 2014). As defined by the Social Business Initiative of 2011, a social enterprise is 'an undertaking:

- whose primary objective is to achieve social impact rather than generating profit for owners and shareholders;
- which uses its surpluses mainly to achieve these social goals;
- which is managed by social entrepreneurs in an accountable, transparent and innovative way, in particular by involving workers, customers and stakeholders affected by its business activity'.

This definition arranges social enterprise key features along three dimensions:

- the entrepreneurial dimension;
- the social dimension;
- the dimension relative to governance structure.

Provided that the pursuit of explicit social aims is prioritized through economic activities, these three dimensions can be combined in different ways and it is their balanced combination that matters when identifying the boundaries of the social enterprise. Building upon this definition, a set of operational criteria has been identified by the European Commission during a previous step of this study (see Annex 1 for more details).

### **2.1.2. Concept and legal evolution of social enterprise in Ireland**

Although the concept of 'social enterprise' first emerged in Irish public discourse in the 1990s there is still no specific legal form for a social enterprise. The majority of emerging social enterprises continue to register as a company limited by guarantee, with charitable status. The most recent national operational definition shares at least three of the criterion of the EU operational definition. At a national level, advocacy groups for the sector have called for a specific legal identity for social enterprise in order to distinguish social enterprises from other organisations, provide greater visibility for the sector and in turn facilitate greater accuracy in the measurement of the true scale and the social and economic impact of the sector.

In terms of the legal framework, Irish law does not provide for a legal form 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 share capital). There are no legislative, regulatory or other rules specifically hindering the development of social enterprises in Ireland. A study by Clarke and Eustace (2009) reported that a Company Limited by Guarantee (CLG) was the legal form of almost all social enterprises (91 per cent of the total). Discussions with stakeholders confirmed this.

#### *Companies Act 1963-2013 - Companies Limited by Guarantee (CLG)*

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 EUR 1, in the event that the company is wound up. A company limited by guarantee does not have share capital. A CLG can be used as the legal form for a not-for-profit organisation because it does not have shares and it usually has provisions in its Articles of Association that prohibit the payment of dividends to its members. 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. 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 charity (CHY) number<sup>(1)</sup>. A CLG must have at least seven members. 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 appoint and remove directors. There are no shares, no distribution of dividends on share capital and no requirement to allocate surpluses to compulsory legal reserve funds. Members have the right to receive the annual accounts, including the directors' and auditors' reports. Further amendments to the Companies Act were introduced in June 2015 and it is now termed the New Companies Act 2014.

*New Companies Act 2014 introduced on 1 June 2015 and the implications for CLGs*

The legislation governing CLGs was changed in 2015; effectively the Companies Acts 1963 to 2013 were consolidated into the Companies Act 2014 and introduced on 1 June 2015. This change places different requirements on CLGs (including social enterprises) to include a Directors' Compliance Statement in the Report of the Directors in the CLG's financial statements. This obligation applies to CLGs where the balance sheet is greater than EUR 12.5 million and turnover is greater than EUR 25 million. The Compliance Statement is a confirmation by the Directors that they have: drawn up a compliance policy statement as to compliance by the company with company law and tax law; put in place appropriate arrangements or structures designed to secure material compliance with that law; conducted a review during the financial year of those arrangements and structures. The legislation change also allows for a reduction in the numbers of members within the CLG from a minimum of seven numbers to one member only with no upper limit and the requirement that a CLG will have to end its name with 'Company Limited by Guarantee' or 'CLG' (i.e. the name of a CLG cannot end in 'Limited' or 'LTD').

**Table 1. Legal form most commonly adopted by social enterprises in Ireland - GLG**

Year	Legal Act	Description
<b>1963-2013</b>	Companies Act 1963-2013 Company Limited by Guarantee (CLG)	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 EUR 1, in the event that the company is wound up. A company limited by guarantee does not have share capital. A CLG can be used as the legal form for a not-for-profit organisation because it does not have shares and it usually has provisions in its Articles of Association that prohibit the payment of dividends to its members.
<b>2014</b>	New Companies Act 2014	Companies Acts 1963 to 2013 were consolidated into the Companies Act 2014 and introduced on 1 June 2015. This change places different requirements on the CLGs (including social enterprises) to include a Directors' Compliance Statement in the Report of the Directors in the CLG's financial statements. This obligation applies to CLGs where the balance sheet is greater than EUR 12.5 million and turnover is greater than EUR 25 million. The Compliance Statement is a confirmation by the Directors that they have: <b>d</b> rawn up a compliance policy statement as to compliance by the company with company law and tax law; <b>p</b> ut in place appropriate arrangements or structures designed to secure material compliance with that law; <b>c</b> onducted a review during the financial year of those arrangements and structures.

<sup>(1)</sup> <http://www.charitiesregulatoryauthority.ie>

There are no marks, labelling schemes or certification systems for social enterprises in Ireland. There are, however, systems of reporting necessary for compliance with regulations as laid down by the Company's Office, Revenue Commissioner and Charities Regulator.

### **2.1.3. Fiscal framework**

There are currently no specific fiscal incentives available exclusively to social enterprises. Rather, there are a range of fiscal and taxation arrangements, including tax relief, that apply to all enterprises, including those legal forms that can be adopted by social enterprise such as CLG and CLS and including social enterprises holding charitable status approved by the Revenue Commission. Social enterprises can register themselves as charities, making them exempt from tax on their profits, because they do not distribute revenue to shareholders. It has been noted that 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. 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 reimbursement of out-of-pocket expenses.

#### *Seed Capital Scheme*

Entrepreneurs who start up and work full-time in their own company can claim back income tax paid in the previous six years to invest equity into the company (subscribed as shares). The amount of relief is restricted to the amount of the investment. In November 2011, the former qualifying trade limitations were in the main removed, leaving the scheme open to a much wider range of sectors. Forfas (2013) also report that the ceiling on recoverable tax was also raised to the tax paid on EUR 100 000 in each of the six years. With the exception of tourism projects, there is no requirement for a company to have prior certification by any agency to confirm it is a qualifying new venture. The onus is on the promoter.

#### *Employment Investment Incentive (EII) <sup>(2)</sup>*

Available to unquoted micro, small and medium-sized trading companies, the Employment and Investment Incentive (EII) (which replaced the Business Expansion Scheme) is a tax relief incentive scheme. It provides for tax relief of up to 40 % in respect of investments made in certain corporate trades. The scheme allows an individual investor to obtain income tax relief on investments for shares in certain companies up to a maximum of EUR 150 000 per annum in each tax year up to 2020. Initially relief is allowed on thirty fortieths [30/40] of the EII investment in the year the investment is made. Potentially, this can result in a tax saving for the investor of up to 30 % of the investment. Relief in respect of the further ten fortieths [10/40] of the EII investment will be available in the fourth year after the EII scheme investment was made providing that certain conditions are met. The scheme has the potential to result in a further tax saving for the investor of up to 10 % of the investment. The tax relief is provided to enable companies to raise finance for the purpose of expansion, create and/or retain jobs. A number of conditions must be satisfied in order to be eligible for this tax relief. These include: the investor, the company and its trade, how the company uses the money invested and the shares purchased. Forfas (2013) report that Business Expansion Scheme was considered an expensive source of finance, particularly for small projects and, therefore, believed to be of limited use for social enterprises.

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<sup>(2)</sup> <http://www.revenue.ie/en/tax/it/leaflets/it55.html#section1>

*Startup Refunds for Entrepreneurs (SURE) <sup>(3)</sup>*

The Startup Refunds for Entrepreneurs (SURE) is a tax relief incentive scheme targeted at those interested in starting their own company and applying to tax paid over the 6 years prior to year in which you invest.

*Tax Relief for Charitable Donations*

Section 848A Taxes Consolidation Act 1997 (TCA 1997) <sup>(4)</sup> provides for a scheme of tax relief for certain 'eligible charities' and other 'approved bodies'. An 'eligible charity' means any charity that is authorised in writing by the Revenue Commissioners. The charity, in order to be authorised, must: be a body of persons or trust established for charitable purposes only; have been granted exemption from tax for the purposes of Section 207 for a period of not less than two years; apply its income for charitable purposes only. An 'approved body' includes: educational institutions or bodies including primary, second level or third level, if they meet certain conditions, a body approved for Education in the Arts by the Minister for Finance and a body for the promotion of the observance of the Universal Declaration of Human Rights or the implementation of the European Convention for the protection of Human Rights and Fundamental Freedoms, or both.

*Tax Relief for Sporting Organisations (including social enterprises)*

This exemption applies to an 'approved body of persons' i.e. an organisation established for, and existing for, the sole purpose of promoting an athletic or amateur game or sport and whose income, as is shown to the satisfaction of the Revenue Commissioners, is income which has been or will be applied for the sole purpose of promoting that athletic or amateur game or sport. The body must be a not-for-profit, member controlled and owned organisation. It must be legally established in the State and have its centre of management and control therein. The majority of its trustees/directors/officers, as appropriate, must be resident within the State (Forfas, 2013).

*Tax Relief for Donations to Sports Organisations (including social enterprises)*

Section 847A of the Tax Consolidation Act 1997 provides for a scheme of tax relief for relevant donations to an approved sports body for the funding of approved projects. Relief applies to donations of a minimum of EUR 250 in a tax year or an accounting period where the donor is a company. No project can be approved which is estimated to cost in excess of EUR 40 million. This initiative benefits clubs and organisations acquiring land or a building, developing facilities, purchasing fixed, non-personal equipment for sports activities, or repaying a loan for these purposes, by providing an incentive to individuals or companies to make a donation towards the cost of the project. The initiative applies only to 'a body established and existing for the sole purpose of promoting an athletic or amateur game or sport whose income is exempt from income/corporation tax'.

**Table 2. Fiscal framework for social enterprises in Ireland**

Tax Relief	Subsidies available to WISEs	Tax reductions to private and/or institutional donors
Section 848A Taxes Consolidation Act 1997 (TCA 1997) provides for a scheme of tax relief for certain eligible charities and other approved bodies which can include social enterprises.	The Wage Subsidy Scheme provides financial incentives to WISEs to employ disabled people who work more than 20 hours per week.	Section 847A of the Tax Consolidation Act 1997 provides for a scheme of tax relief for relevant donations to an approved sports body including SEs.

<sup>(3)</sup> <http://www.revenue.ie/en/tax/it/leaflets/it15.html>

<sup>(4)</sup> <http://www.revenue.ie/en/personal/charities.html>

### 3. MAPPING

#### 3.1. Measuring social enterprises

The main sources of data on social enterprises in Ireland are government sponsored and/or commissioned small-scale surveys of social enterprises identified on the basis of their specific geographical locations, participation in specific social enterprise support schemes and/or benefits received from social finance and other statutory support mechanisms. Data on the sector is also collated by national social enterprise networks. This section draws on existing published studies<sup>(5)</sup> to provide an indicative overview of the scale and characteristics of social enterprise in Ireland. It describes the role and activities of social enterprises, key enabling factors and constraints influencing their development.

Figure 1 illustrates the continuum of Irish social enterprises as per the current national operational definition.

**Figure 1. Continuum of Irish Social Enterprise**



Source: Forfas (2013)

Table 3 maps the characteristics of the national operational definition of social enterprise in Ireland against the core criteria set by the EU operational definition in order to identify commonalities and differences between the national operational definition and the EU concept. Forfás set out an Irish definition of social enterprises *as not for profit organisations, driven by social objectives, separate from government, where at least part of the income generated is from trading activity and the surplus reinvested in social objectives.*

**Table 3. Mapping the Irish operational definition of social enterprises against the EU Operational Definition**

Dimension	Criterion	National operational definition - Ireland
<b>Economic</b>	Engagement in economic activity	should 'earn at least part of their income from their trading activity', which is consistent with the EU operational definition
<b>Social</b>	Explicit and primary social aim	should 'trade for a social/societal purpose', which is consistent with EU operational definition of social enterprise.

<sup>(5)</sup> With the caveat that the few studies to have been published have generally been limited and/or based on surveys with relatively low response rates. There is no real consensus about the size of the sector or its likely parameters. Social enterprises are not included in official statistics and estimates vary greatly and can easily be contested.

## Social Enterprises and their Eco-systems

### Updated country report: Ireland

Dimension	Criterion	National operational definition - Ireland
<b>Governance</b>	Limits on profit distribution	must 'primarily reinvest their surplus in their social objective'. Profits, in other words, should largely be used to further social goals, which is similar to the EU operational definition of social enterprise
	Asset lock	no provision for an asset lock in the national operational definition, however it has been suggested that: a social enterprise – to confirm an asset lock – must apply for a CHY (charity) number when legally incorporated.
	Organisational autonomy from the State and mainstream enterprises	should be 'separate from government' which is consistent with the EU operational definition.
	Inclusive governance - democratic decision making and/or participatory governance	stakeholder participation is not an explicit requirement of the current national operational definition.

This would suggest that the current national operational definition fully meets three of the core criteria (in relation to economic activity, the social dimension and profit/asset distribution) of the EU operational definition. It only partly meets the criterion relating to independence and does not meet the criterion relating to inclusive governance.

The main sources of research/data on social enterprises in Ireland include the following published studies:

- Clarke and Eustace (2009) in a study aimed at exploring to what extent, and how the contribution of social enterprises might be measured, focused on social enterprises in nine counties in Ireland. On the basis of 106 responses, they found that social enterprises were community development organisations providing a broad range of services which might include social care, education and training, childcare and youth facilities. Childcare and multi-purpose enterprises were the most common categories. There was a high level of state subsidy among the enterprises surveyed. Just over half (58 %) of their total income came through grants (including services purchased by the State) with 36 % earned through trading activity. The remaining 6 % was generated through fundraising, donations and bank or credit union loans. Just over half of those surveyed generated a surplus, with 82 % of these generating less than EUR 50 000. Organisations had an average of fifteen paid workers and twelve volunteers.
- Prizeman and Crossman's 2010 survey of social entrepreneurship elicited 194 responses out of a potential 3 717 from what is referred to as the 'social economy continuum', which included foundations and educational institutions. 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 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). The enterprises that responded were predominantly involved in the provision of state services (42 %) or selling services without state support (30 %). In terms of income source, almost half (45 %) had generated 30 % of their income in 2009. Significantly, almost three out of every five respondents (59 %) had not generated surplus income in the previous three years. Similarly, a study of the Irish non-profit sector (RSM, McClure, Watters, 2012), while acknowledging the diversity of the sector and the existence of social enterprises within it, does not identify social enterprises as a separate sub-category. The analysis of 506 organisations with a total income of EUR 636 million found that only 4 % of their income came from sales or fees. In fact state grants and contracts accounted for the

greatest share (54 %) of income, while the second largest share (25 %) came from individual giving.

- -The Forfás (2013) 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 %) of these 'enterprises' however, did not generate any revenues from trading activity, i.e. direct sale of goods and services in the market place.

A study completed in 2016 of 3 376 rural based social enterprises indicated that these entities accounted for an estimated 1 200 full-time and 70 part-time positions. This confirmed the high level of participation in work integration schemes among Irish social enterprises highlighted in previous studies (O' Shaughnessy, 2008; Hynes, 2016:24).

**Table 4. Main data on social enterprises**

	2009 <sup>(6)</sup>	2011 <sup>(7)</sup>
<b>Number of social enterprises</b>	106	1 420
<b>Workforce</b>	9 300	25 000
<b>Volunteers</b>	1 274	3 100
<b>Turnover</b>	EUR 240m	EUR 1.4 bn

## 3.2. Social enterprises characteristics

### 3.2.1. Sectors of activity

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 study. 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 (Clann Credo, 2011). It should be noted that the figures are 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. It has been noted elsewhere that these figures *could be somewhat inflated given that 63 % of those involved in the study did not have any traded income in the previous year and the remainder had a traded income that made up just 17 % of their total income.*

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. Evidence can also be sourced from small scale surveys which confirm social enterprise activity in food and catering, tourism, arts, culture, music, recycling, transport and distribution, serving both the business-to-business and public sector markets along with selling directly to individual markets (Hynes, 2016:24). This picture is confirmed by the stakeholder interviews, which 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, healthcare, enterprise development, community services/development, social housing, etc.). Their target groups include including the long-term unemployed, young people not in employment, education or training, disadvantaged and underinvested urban and rural communities, people with mental health difficulties, people from disadvantaged groups and older people. There are also examples of social

<sup>(6)</sup> Source: Clarke and Eustace (2009) based on 106 responses.

<sup>(7)</sup> Source: Clann Credo (2011) based on data collected from social enterprises and community businesses in 2009.

enterprises in the manufacturing sector (e.g. the Speedpak Group has two such manufacturing businesses).

### **3.2.2. Sources of income**

A 2011 study sought to estimate the extent to which social enterprises were reliant on traded income. 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 one third remaining together had a total traded income of EUR 243.5 million. This suggests that grants – a direct statutory payment to support the activities of the social enterprises – constitute a vital element of overall income for social enterprises in Ireland. 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 for those social enterprises that do operate on a more commercial basis.

#### **3.2.2.1. Turnover**

According to the 2011 Clann Credo study 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 figure 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 % reported annual turnover of less than EUR 300 000 a year.

### **3.2.3. Use of paid workers and volunteers**

The 1 420 social enterprises identified in the 2011 report were reported to employ around 25 000 people in 2009, which was equivalent to around 2 % 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. Additional significant differences can be seen in the estimates presented in 2016 survey of rural based social enterprises.

*The following social enterprise characteristics can be drawn from existing studies of Irish social enterprises overall:*

- **Legal Form**  
There is no specific legal form for a social enterprise in Ireland. The legal option available to a social enterprise is to become a trading enterprise by setting up a company limited by share or limited by guarantee. The most common legal form adopted by Irish social enterprises is a company limited by guarantee. Many social enterprises will also hold a CHY number, thus effectively making them charities, with the associated limitations.
- **Business models**  
The typical business models adopted by Irish social enterprises include social enterprises that: trading in a service or product that offers a social good and a high potential income generation capacity; working with individuals who are marginalized and disadvantaged and seeking market opportunities in suitable sectors and industries for their labour; identifying a gap in infrastructure or services where the private sector has not been able to develop a commercially viable solution; operating primarily as a delivery agent of public sector services

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(often, but not always to individuals and groups who are not in a position to pay full commercial rates for services) (Forfas, 2013:15).

- **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 indicated that 25 000 direct jobs were created as a result of the social enterprise sector in Ireland, and these were expected to triple if appropriate conditions for sector growth continued. Secondly, as identified in the 2013 Forfás review, the social impact also encompasses delivery of welfare services. This encompasses delivery of public sector services or stepping in where the private sector has not been able to develop a commercially viable solution. The ILDN (2016) also refer to the role of social enterprises in building confidence, developing a range of competencies at community level, and creating work opportunities for those who would otherwise find it difficult to secure employment.

### 3.3. Summary of mapping results

Although prevalent in Irish policy discourse since the 1990s there is still no nationally agreed definition of, or specific legal identity for, social enterprises in Ireland. While some progress has been made with the publication of the 2013 national operational definition, there absence of a clear definition continues to affect the true measurement of the scale and the social and economic and impact of the sector.

**Table 5. Summary of mapping results**

Characteristics	Description
<b>Legal form</b>	Company Limited by Guarantee (CLG) without share capital (most commonly adopted)
<b>Source of Income</b>	Mixture of traded revenue, subsidies and grants, donations
<b>Social Impact</b>	Job creation, social integration, service provision to disadvantaged communities, environmental services, social capital through volunteerism, improved local governance
<b>Turnover</b>	Average turnover is approximately EUR 1 million, but a 2009 study indicated that one third of social enterprises had turnover of less than EUR 100 000
<b>Workers</b>	In 2009, estimated employment of approximately 25 000
<b>Field of activity</b>	Enterprise centres, sports facilities, youth centres, social housing, and addiction/counselling centres. Evidence can also be sourced from small scale surveys which confirm social enterprise activity in food and catering, tourism, arts, culture, music, recycling, transport and distribution

Dimension	Criterion	Company Limited By Guarantee without share capital
<b>Entrepreneurial dimension</b>	Engagement in economic activity	Yes
	Use of paid workers	Yes
	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.	Yes
<b>Social dimension</b>	Social aim (public benefit)	Some, but not a requirement – applicable to SE holding charitable status
	Target groups (customers/users of goods and services provided)	Diverse
	Fields of activity	Diverse

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Dimension	Criterion	Company Limited By Guarantee without share capital
<b>Governance</b>	Limits on distribution of profits and/or assets	Profits must be reinvested back into the business- many hold charitable status
	Transparency	Yes
	Autonomy - organisational autonomy	Yes
	Inclusive governance	Possible – voluntary board of directors
<b>Estimated number</b>		15 633 registered with CRO - (unknown what % are social enterprises)
<b>Estimated % meeting core criteria of the EU definition</b>		Not known
<b>Estimated number meeting core criteria</b>		Not known

## 4. ECO-SYSTEM FOR SOCIAL ENTERPRISES IN IRELAND

### 4.1. Key actors

The eco-system for social enterprises in Ireland is shaped by a variety of key actors that have contributed to developing national support policies and measures, supporting the emergence of social enterprises and contributing to the national debate on the sector. Key actors include national, regional and local policy-makers, research and education, social enterprise networks and financial intermediaries.

Table 6 illustrates this eco-system.

**Table 6. Main actors in Irish eco-system**

<b>Policy and statutory</b>	<ul style="list-style-type: none"> <li>Local Authorities – Local Government</li> <li>Local Development Companies</li> <li>Social Enterprise Task Force</li> <li>Department of Housing, Planning and Local Government</li> <li>Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs</li> <li>POBAL</li> </ul>
<b>Research and Education</b>	<ul style="list-style-type: none"> <li>University College Cork</li> <li>Dublin City University</li> <li>Trinity College Dublin</li> <li>University of Limerick</li> </ul>
<b>Networks, support and advocacy</b>	<ul style="list-style-type: none"> <li>Representative bodies</li> <li>Irish Social Enterprise Network</li> <li>Irish Local Development Network (ILDN)</li> <li>The Wheel</li> <li>Social Entrepreneurs Ireland</li> <li>Social Innovation Fund Ireland</li> <li>National, regional and local forums</li> <li>Support and advocacy networks</li> <li>Networks running entrepreneurial activities and social enterprise incubators – SEDCo, Social Enterprise Development Company, Partas</li> </ul>
<b>Financial intermediaries</b>	<ul style="list-style-type: none"> <li>Traditional banks</li> <li>Social Finance Ireland</li> <li>Community Finance (Ireland)</li> <li>Clann Credo</li> <li>Credit Unions</li> </ul>

### 4.2. Policy schemes and support structures

There are a variety of public policy support schemes open to all Irish SMEs, including social enterprises. These support schemes/measures are presented in Table 7 and are classified on the basis of the types of enterprises supported.

**Table 7. Examples of supporting measures**

Policy	National/ local	Source	Source of financing	Status
<b>Example of support measures available to all enterprises</b>				
RDP – LEADER (LDC)	National	Department of Agriculture, Food and the Marine	National and EU funds	Current
Enterprise Ireland - New Frontiers Entrepreneur Development Programme	National	Department of Enterprise, Jobs and Innovation	National and EU funds	Current
LEO – Local Enterprise Office	National	Department of Enterprise, Jobs and Innovation	National and EU funds	Current

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Policy	National/ local	Source	Source of financing	Status
<b>Example of support measures available to social economy/non-profit organisations</b>				
Active Labour Market Schemes – CE, Tus	National	Department of Social Protection	National and EU	Current
Community Services Programme and SICAP (Social Inclusion and Community Activation Programme)	National	POBAL	National and EU funds	Current
Subsidies and public procurement Two new EU Directives were transposed into Irish law on May 5th 2016. The two Regulations cover public procurement in the public service and in the utilities sector. This is a reform to the Public Procurement Directive (2014/24/EU: the ‘Classical’) and the Utilities Directive (2014/25/EU: Utilities) which includes a provision for the possible ring fencing or reserving of particular contracts for social enterprises under certain conditions. Regulations made by the Minister of Public Expenditure and Reform under SI 284 of 2016 implementing EU Public Procurement Directive 2004/24/EC	National	Office of Government Procurement	National and EU funds	Current
<b>Example of support measures available to social enterprises</b>				
Social Enterprise Grant Scheme	Regional – Dublin	LDC, LEO and Local Authority	National, EU funds	Current
Social Innovation Fund Ireland	National	<a href="http://www.socialinnovation.ie">www.socialinnovation.ie</a>	National, EU, Philanthropic Funds	Current
Wage Subsidy Scheme – available to WISEs	National	Department of Social Protection	National and EU	Current

#### 4.2.1. Support measures available to enterprises that fulfil specific criteria

The EC Financial Framework 2014-12 provides for a range of funds that are potentially relevant for all Irish enterprises (including social enterprises):

- Rural Development Programme - LEADER  
The LEADER Programme across Europe is acknowledged as one of the most successful EU programmes for local development. Ireland, in particular, is considered to be a good practice example of how to manage EU funding for local development using the principles underpinning LEADER. The EU’s RDP is funded through the European Agricultural Fund for Rural Development (EAFRD). The potential for social enterprise development lies in meeting the 6<sup>th</sup> EU priority of *Promoting Social Inclusion, Poverty Reduction and Economic Development in Rural Areas*. The Commission formally adopted the RDP programme for Ireland on 25 May 2015. This allows for a total programme amount of EUR 250 million with support for social enterprise available through the LEADER themes of Economic Development

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and Job Creation and Social Inclusion in sectors such as rural tourism, enterprise development and basic services targeted at hard-to-reach communities.

- **COSME (Competitiveness of Enterprises and Small and Medium-sized Enterprises)**  
EU-funded programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME) running from 2014 - 2020 with a planned budget of EUR 2.3 billion. The purpose of COSME is to facilitate access to finance for Small and Medium-sized Enterprises (SMEs), create an environment favourable to business creation and growth, encourage an entrepreneurial culture in Europe, increase the sustainable competitiveness of EU companies and help small businesses operate outside their home countries and improving their access to markets.
- **Local Enterprise Offices (LEOs)**  
LEOs provide a range of financial supports designed to assist with the establishment and/or growth of enterprises (limited company, individuals/sole trader, cooperatives and partnerships) employing up to ten people. These include: feasibility/innovation grants, priming grants and business expansion grants.

#### **4.2.2. Support measures specific to social economy/non-profit organisations**

- **Community Foundation for Ireland (CFI)**  
The Community Foundation for Ireland was established in 2000. Founded by businesses, NGOs and employer organisations, the main objective of the fund is to grow a philanthropic ethos in Ireland and support not-for-profit organisations. The foundation has made available over EUR 25 million to non-profit organisations, communities and charities since 2000.
- **Social Inclusion & Community Activation Programme (SICAP)**  
SICAP provides a range of supports to marginalized people and groups within designated communities. Its objective is to reach people who have difficulty accessing education, training and employment and link them with new opportunities. SICAP is underpinned by community development principles aimed at engaging local people and communities in identifying their priorities and determining the best response at local level.
- **Social Economy Programme (SEP) <sup>(8)</sup>**  
The national Social Economy Programme was launched in September 2000. The SEP was launched with the goal of developing the social economy in order to tackle disadvantage and support community regeneration. 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 contract with the public sector to deliver public services in disadvantaged areas and communities. The programme was discontinued in 2008 and re-launched as the Community Services Programme (CSP).
- **Community Services Programme (CSP)**  
The CSP 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 has a specific focus on funding local services and employment opportunities for particularly disadvantaged groups in society. This is especially the case in communities where mainstream public and private sector supports are unavailable as a consequence of either geographical or social isolation. To date, the CSP has supported over 425 community companies, cooperatives and social enterprises. The support model offered by the CSP is described as a social-enterprise model. This means that it does not fully fund contract holders (i.e. grant recipients), but requires that they generate revenue by charging fees or raising funds. These enterprises remain responsible for their own budgets and financial and other liabilities. However, only some of the organisations that participate in the CSP are enterprise driven, with many exhibiting considerable reliance on state funded programmes (WRC, 2003; Curtis et. al., 2011; Clann Credo, 2011; Forfás 2013). Other labour market integration initiatives such as the Rural Social Scheme (RSS), Community

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<sup>(8)</sup> The SEP was discontinued and re-launched as the CSP in 2006.

Employment, Tus and Job Initiative have also been identified as providing support to social enterprises by providing an opportunity to acquire staff in short-term and temporary roles.

#### **4.2.3. Support measures specific to social enterprises**

- **Social Enterprise Grant Scheme**  
The Social Enterprise Grant Scheme is a 'pilot' scheme established by Inner City Enterprise (ICE), and drawn down under the Local Enterprise Office (LEO), Dublin. The support scheme is specifically targeted at Social Enterprises, defined in this instance as businesses that generate traded income with social outputs, and in which all profit created is reinvested into the business<sup>(9)</sup>. The scheme provides for approximately EUR 45 000 set up to provide a small number of flexible grants for Social Enterprises, either at the start-up or development phases.
- **Wage subsidy scheme**  
The Wage Subsidy Scheme provides financial incentives to work integration social enterprises to employ disabled people who work more than 20 hours per week. A person on the Wage Subsidy Scheme is subject to the same conditions of employment as other employees. These conditions include PRSI contributions, annual leave, tax deductions and the going rate for the job.
- **EU Programme for Employment and Social Innovation (EASI) Programme and Microfinance**  
Micro-finance support for social enterprises and other micro-enterprises (headed up by vulnerable groups) is available through Microfinance Ireland (MFI). MFI is as a not-for-profit lender and was established in 2012 to deliver the Government's Microenterprise Loan Fund. MFI benefits significantly from a guarantee scheme funded by the European Union under the Programme for Employment and Social Innovation (EASI). The objective of the guarantee facility is to increase the availability and accessibility of micro-finance for: (i) vulnerable people who wish to start-up or develop their own micro-enterprise; and (ii) existing micro-enterprises, in both the start-up and development phase.

#### **4.3. Networks and mutual support mechanisms**

There has been a growth in national, regional and local social enterprise/social entrepreneur networks and advocacy organisation supported by the Irish government and philanthropic support. The following is a sample of these.

##### **4.3.1. Representative bodies - advocacy**

The Irish Social Enterprise Network describes itself as the largest open and exclusive network for social enterprises, social entrepreneurs and social innovators in Ireland. The network uses the Commission definition of a social business to describe a social enterprise as one: whose primary objective is to achieve social impact rather than to generate profit for owners and shareholders; which operates in the market through the production of goods and services in an entrepreneurial and innovative way; which uses surpluses mainly to achieve these social goals and, which is managed by social entrepreneurs in an accountable and transparent way, in particular by involving workers, customers and stakeholders affected by its business activity.

##### **4.3.2. National and local consortia**

###### *Social Enterprise Task Force (SEFT)*

The Social Enterprise Task Force (SETF) (formerly Social Enterprise and Entrepreneurship Task Force) was initially established in 2009. The purpose of SETF, a network of key sector stakeholders, is to promote social enterprise and social entrepreneurship and to contribute to the development of appropriate national supportive policies for the development of the sector.

###### *Irish Local Development Network (ILDN)*

The ILDN (Irish Local Development Network) is one of the most recent national networks to have confirmed its role in supporting social enterprises in local communities. Local development organisations play host to regional social enterprise networks and social

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<sup>(9)</sup> <https://www.localenterprise.ie/DublinCity/News/Press-Releases/The-Social-Enterprise-Grant-Scheme.html>

enterprise forums. The commitment of the ILDN (a representative network of 49 LDCs (Local Development Companies) is illustrated by its commissioning of a report entitled 'Creating and Enabling, Supportive Environment for the Social Enterprise Sector in Ireland' which was published in June 2016.

Local Development Companies (LDCs) have been instrumental in facilitating and supporting the emergence of regional social enterprise networks through the provision of information and networking events to locally based social enterprises and social entrepreneurs.

#### **4.3.3. Networks running entrepreneurial activities and social enterprises incubators**

Social Entrepreneurs Ireland is a registered charity and provides networking for social entrepreneurs. Mentoring and support is provided, including an Elevator Programme and boot camp, for potential social entrepreneurs. Social Entrepreneurs Ireland also contributes to raising the profile of the sector through an annual awards and showcasing event.

#### **4.4. Research, education and skills development**

There is widespread agreement on the need to improve capacity within the Irish social enterprise sector. Initiatives aimed at addressing this include the following university-based programmes (offered via distance and blended learning platforms) targeting the community and voluntary sector: Diploma in Social Integration and Enterprise for the Community Development Worker, Masters in Community and Voluntary Sector Management, BSc Rural Development by Distance Learning and the MBS Co-operative and Social Enterprise offered at University College Cork. Each of these programmes contain specific 'social enterprise' related course material and they recruit practitioner students from within the sector. Dublin City University Business School in conjunction with the Ryan Academy have developed a Masters programme in Innovation for Social Entrepreneurs with a specific focus on social enterprise professionals. Local Development Companies also play a role in enhancing the skills of the sector. In 2012 the Paul Partnership in Limerick launched a Community and Social Enterprise Programme which included the provision of seminars to promote community and social enterprise and business leadership skills within the sector. Social Entrepreneurs Ireland provides training camps and a range of business and mentoring support for potential social entrepreneurs.

#### **4.5. Financing**

##### **4.5.1. Demand for finance**

A recent study of the social enterprise sector in Ireland highlights the difficulties experienced by the sector in accessing, and securing, finance from mainstream and public funding institutions. Consequently, many have become reliant on a range of funding sources including individual contributions, foundation grants, user fees, fundraising and government payments, due to the limited availability of alternative revenue streams (Hynes, 2016:52; O' Shaughnessy and O' Hara, (2015). In terms of social investment, there is very little published evidence of the demand for finance within the sector. It is 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. CIF (formerly 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, although smaller loans than this have been made available to social enterprises. Views 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.

Representatives 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, it has been reported 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 constitute a barrier to bank investment.

It is estimated that Clann Credo accepts around 80 % of applications; CIF (formerly UCIT) reported met between 70-80 % of demand for investment from community organisations. Both organisations, therefore, funded the majority of the community organisations that applied for finance. This is in part due to their 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, Community Finance (Ireland) (formerly UCIT) estimated that around 10 % of loan applications are rejected because the business proposition is not viable, 5 % are rejected because they are outside of the organisation's sector of activity (primarily due to concerns over social impacts), and 5 % 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.

#### **4.5.2. Supply of finance**

Although there is no specific statutory budget for social enterprise, there are some limited funding/financing sources available. These include:

- The Social Finance Foundation which distributes loan finance via two approved social lending organisations.
- Bank finance through Triodos Bank serving Ireland.
- Funding for social entrepreneurs through the Arthur Guinness Fund (Philanthropy).
- Ulster Bank Business Achievers Awards (Social Entrepreneurship).
- Enterprise Ireland (in particular to social enterprises engaged in the export of goods).
- A Social Enterprise Grant Scheme of approximately EUR 50 000 which was set aside to provide a number of small grants for start-up or early development social enterprises. This initiative is described as a 'pilot' scheme established by Dublin Inner City Enterprise (ICE), and drawn down under the Local Enterprise Office (LEO), Dublin.

In addition to the mainstream financial institutions, there is a significant credit union sector in Ireland with potential for the financing of social enterprises. There are approximately 339 active credit unions with a total asset base of EUR 15 billion. These are described as 'independent financial entities, of varying sizes', as the majority of credit unions have assets of below EUR 25 million (170 credit unions representing about 14 % of sector assets have an average individual asset size of just over EUR 12 million) and an estimated 37 credit unions have assets of EUR 100 million or more and account for just over 40 % of total sector assets (McKiernan, 2015). One of the recommendations to emerge from the

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2013 Government-sponsored review of the Irish social enterprise sector was for those credit unions of sufficient scale to consider opportunities for lending to the social enterprise sector, including exploring the possibility of forming a new credit union with the specific objective of lending to social enterprises (Forfas, 2013). Worth noting also is the establishment of Social Innovation Fund Ireland in 2013. The purpose of the fund is to provide funds to scale social innovations that have a widespread impact on critical social problems facing Irish society. Described as a means to offer donors and philanthropists a meaningful way to support social issues in Irish society; every euro in private funding is matched by a euro from the Irish government. Another actor in this field includes Microfinance Ireland (MFI). MFI a not-for-profit lender that was established to deliver the Irish Government's Micro Enterprise Loan Fund. The fund provides unsecured loans from EUR 2000 to EUR 25 000 with a term of 3-5 years. Eligible enterprises must have fewer than 10 employees and an annual turnover of less than EUR 2 million.

The social investment market is relatively small, with supply dominated by two lending organisations – Clann Credo and Community Finance Ireland (CFI). 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, in the form of non-repayable equity and low interest loan funding. The Social Finance Foundation can be described as a unique collaboration between the Government and the Irish Banking Industry. In July 2006, the Government approved the implementation of the Social Finance Initiative. It established a not-for-profit company (limited by guarantee and having no share capital) to act as a wholesale supplier of finance for the social sector. By January 2007, the Social Finance Foundation was established. Seed capital of EUR 25 million was made available by the banking industry through the Irish Banking Federation with additional funding support made available in 2009, through a twelve-year EUR 72 million loan agreement at a discounted rate of interest. The SFF acts as a wholesaler to a set of approved Social Lending Organisations (SLOs). Clann Credo and CFI are both approved SLOs. 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. Since 2007 the Social Finance Foundation had approved over EUR 80 million in loans.

Clann Credo have been operating for many years and were pioneers of social finance in Ireland. To date the foundation has approved over EUR 80 million of loans (SFF, 2016). Clann Credo has largely been funded by charitable donations from religious organisations (around EUR 10 million) 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). Types of loans provided include: bridging loans, working capital loans, match funding loans, capital equipment loans and property loans. Beneficiaries include: community owned enterprises and social enterprises, social housing initiatives, accessible transport, community childcare, arts, culture & heritage projects and environmental projects.

The second SLO is Community Finance (Ireland). Formerly UCIT, CFI is a registered charity that provides loans to a range of third-sector organisations including community groups, charities, sports clubs and social enterprises in the Republic of Ireland. Since 2001, as part of the wider UCIT Group, CFI has committed over EUR 70 million to over 360 organisations across the island of Ireland. In 2007 Community Finance (Ireland) received accreditation from the Social Finance Foundation, Dublin, to enable the organisation to access a EUR 70 million fund for investment throughout the Republic. As a registered charity, all profits generated by Community Finance (Ireland) are retained and recycled for

reinvestment into the third sector. The goal of CFI 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). In deciding whether to invest, CFI considers whether an organisation has a clear social purpose, and also whether it has a viable business model. Loan finance is available for: buildings and equipment, working capital, cash shortfalls, bridging finance against delayed grants or other confirmed income, and restructuring of debt. CFI won 'Best for Affordable Community Finance' at the 2015 Finance Awards, organised by London-based Wealth & Finance Magazine.

#### *The scale of social investment*

During 2014, CFI (formerly UCIT) approved EUR 3.6 million worth of loans in the Republic of Ireland and GBP 3.3 million in Northern Ireland to 71 community organisations, charities and social enterprises. Clann Credo, in 2014, approved new lending of EUR 14.2 million to 106 new community based projects. 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 could be problematic. CFI 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).

Table 8 summarizes the terms associated with the social investment products provided by Clann Credo and CFI.

**Table 8. Terms for social finance in Ireland**

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

Source: Clann Credo and UCIT.

#### *Recent innovations in the Irish social investment market*

In 2013, the Irish Government introduced the first Social Impact Investment project. Clann Credo was appointed to manage the initiative, more commonly known as Social Impact Investing (SII). SII is a model of investment that allows investors to support projects that seek to alleviate significant social issues. In this model, the State pays an amount/fee linked to extent to which the intervention is successful. Described by Clann Credo as an 'alternative model of investment', the approach 'seeks to produce both a social and a financial return'. The social issue targeted in this initiative is homelessness in the Dublin area. The objective of the project is to source suitable accommodation for 136 homeless families living in emergency accommodation. Clann Credo has established Homelessness Interventions Limited (HIL) as the special purpose vehicle for the project. The charity Focus Ireland was appointed to undertake the interventions with the families, some of whom have been in inappropriate, private emergency accommodation for up to eight years. The families include over 250 children. In the initial phase of the project, 75 families have been moved from emergency accommodation, to appropriate, sustainable accommodation. The structure of the initiative is that Dublin City Council will pay HIL for families who remain in new accommodation for more than six months. HIL is seeking to raise investor loans of EUR 500 000 to fund the working capital needed to finish the project. This working capital will bridge the gap between the payments received from Dublin City Council for success, and the cost of running the project (Clann Credo, 2015).

#### **4.5.3. Market gaps/deficiencies**

Demand-side constraints have been identified as a key issue in the sector. Since the establishment of the SFF, it has been noted that 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). In early 2016 the Irish League of Credit Unions (ILCU) sought to re-engage the State in this debate, announcing its preparedness to provide a fund of up to EUR 5 billion through a Government Bond or similar 'social purpose vehicle' to assist in the development of social housing if sanctioned by the Irish Central Bank. At time of writing this had not happened and was unlikely to occur without the approval of the regulator.

## **5. PERSPECTIVES**

### **5.1. Overview of the social enterprise debate at national level**

The current national operational definition of a social enterprise is 'an enterprise that trades for a social/societal purpose, where at least part of its income is earned from its trading activity, is separate from government, and where the surplus is primarily re-invested in the social objective'. Social enterprises are viewed as a business model that tackles social, economic or environmental issues. There is widespread acceptance of their contribution to national, regional and local social and economic development. Viewed as a small, but growing, part of the enterprise base, there are recognised constraints and opportunities for the future development of the sector.

### **5.2. Constraining factors and opportunities**

Available information suggests that the absence of an enabling policy framework (including fiscal incentives, although there appears to be a good supply of available social finance) are the main barriers constraining the start-up and development of social enterprises in Ireland. Some commentators are also critical of a lack of provision regarding the social enterprise legal form. Additionally, it is also believed that social enterprises often lack internal capacity to support their growth. Issues regarding corporate governance, business strategy, planning, management and marketing experience, HR and management of a diversity of stakeholders including customers, workers and volunteers have all been highlighted as factors impacting on the successful start-up and development of the sector (Curtis et. al., 2011; O' Shaughnessy and O' Hara, 2013; Hynes, 2016). More recent studies have also called for an acknowledgement of the differentiating characteristics of social enterprise, especially in the areas of financing, governance and performance measurement.

Stakeholders are critical of bureaucratic funding streams and lack of clarity between service level agreements and government grants, with calls being made for: a simplification of funding frameworks; a clearer definition of what constitutes trading income; a distinction between 'government grants' and 'service level agreements'; a supportive financial structure which acknowledges the multiple contribution of the social enterprise sector; the provision of competency training in the areas of governance, volunteer recruitment and retention strategies; the encouragement of social enterprises operating in the same service sectors to consider developing formal alliances for the purpose of benefitting from economies of scale; the provision of business training for social enterprises wishing to scale up and/or compete for statutory service level agreements/contracts and ongoing research into new mechanisms for financing social enterprise.

Social enterprises often struggle to secure finance from mainstream sources, such as banks. Banks may not always understand the social enterprise model and accurately price risk (leading to onerous collateral requirements). No data is 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 noted previously, grants form a key part of social enterprises' income streams, 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 needs to explore. 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 that may lend to co-operatives but cannot lend to limited companies.

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 and true measurement of the sector. Despite a government sector review in 2013, further work is required in order to develop a clear understanding and definition of social enterprise in Ireland. 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), key stakeholders highlight the absence of a dedicated, 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. There is a concern amongst some stakeholders that the recommendations of the 2013 government review of the sector have not been implemented to date, and that there is currently no specific social enterprise ministerial post at government level, as was case in the last government.

Social enterprises often face specific problems in terms of their weak 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. Social enterprises have traditionally been poor at accessing business support in order to address these capacity problems. 'Mainstream' business support has not been effective at engaging with social enterprises, instead prioritizing more traditional commercial businesses. This is ascribed 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 always favour the social enterprise model, although some social enterprises are engaged in the export market). Stakeholders have highlighted a need to enable social enterprises to become 'investor-ready' instead of just 'grant-ready' and to be generally encouraged/incentivized to produce, trade and generate revenue. Calls are also made to focus on the definition of 'traded income' and to make a clear distinction between 'government grants' and 'service level contracts'.

The delivery of public services is a key and potential market for social enterprises. 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 with commercial enterprises. One significant problem 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 is often the case that they are simply unable to meet tendering requirements, for instance insurance thresholds. 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 enterprises. It has also been suggested that public contracts could be broken up into smaller units, thus enabling social enterprises to bid.

The National Procurement Service is progressing a number of initiatives to improve social enterprise access to public procurement. In 2014 the Office of Government Procurement (OGP) was established. This is viewed as a key aspect of the Irish Government's Public Service Reform agenda with an annual average spend of EUR 8 billion in four main sectors (Health, Defence, Education and Local Government)<sup>(10)</sup>. Government agencies such as Enterprise Ireland<sup>(11)</sup> have been working with public sector organisation to promote awareness of potential of the Irish small to medium-sized enterprises (SMEs), including social enterprises, and how they can deliver value to public sector contracts. The

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<sup>(10)</sup> <https://procurement.ie/about-us>

<sup>(11)</sup> The government agency responsible for supporting Irish businesses in the manufacturing and internationally traded services sectors.

department advises SMEs and social enterprises on how to: identify and qualify procurement opportunities, build client capability, facilitate buyer /client meetings in order to accelerate the procurement process, develop and implement new approaches to public sector procurement in collaboration with key stakeholders, identify 'blocks' to access to the public sector market and implement the appropriate solutions. Engagement between public-sector bodies<sup>(12)</sup> SMEs and social enterprises focus on the following sectors: construction, health, justice, education, transport, utilities, software and services. The potential opportunity presented by this is closer to being realized as a result of the Irish government transposing two new EU Directives into Irish law on 5 May 2016. The two Regulations cover public procurement in the public service and in the utilities sector and address some of the concerns expressed by the sector to date, namely the introduction of new regulations which include: provisions to allow for the discretion to divide public contracts into lots, and to allow for particular contracts to be reserved for social enterprises under certain conditions

### **5.3. Future challenges**

The most significant challenges for the future growth of the social enterprise sector include realising the following objectives:

- Promotion of clear definitional boundaries – e.g. clarity on terminology such as social enterprise, social business, traded income, government grants and service level contracts.
- 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 and support social enterprise education in mainstream academic business courses, integrate social enterprises in existing work placement programmes.
- Improve capacity for public procurement - e.g. encourage collaboration with commercial enterprises, and capacity building within the social enterprise sector to engage in competitive tendering processes.
- Further development of a supportive financial infrastructure, e.g. expand remit of credit unions, research and develop new finance options (impact investment, venture philanthropy, social impact bonds) and utilise applicable EU funds to support the development of social enterprise.
- Development, and implementation, of appropriate systems of social impact and performance measurement.
- Development of leaders and harnessing of community support – e.g. build management capacity in social enterprises
- Development of competency in governance – e.g. ensure that tax and benefit system does not create disincentives, promote co-operative model in certain sectors, governance training.

There are considerable gaps in our knowledge about the Irish social enterprises, including the scale, social impact and overall contribution of the sector to the national economy and society in general. Addressing these gaps is an important next step in improving our understanding of social enterprise and in assessing its significance, value and true potential.

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<sup>(12)</sup> <https://www.enterprise-ireland.com/en/Export-Assistance/Building-Export/Selling-to-the-Public-Sector-in-Ireland-and-Internationally.html>

## 6. ANNEXES

### 6.1. Operational social enterprise definition

The following table represents an attempt to implement a definition of social enterprise based on the Social Business Initiative promoted by the Commission.

Main dimension	General definition	Relevant Indicators ( <i>non-exhaustive list</i> ) (yes/no or range from low up to very high)	Initial minimum requirements (yes or no)	Examples/boundary cases comments
<b>Entrepreneurial/economic dimension</b>	Social enterprises (SEs) are engaged in the carrying out of stable and continuous economic activities, and hence show the <b>typical characteristics that are shared by all enterprises</b> <sup>(13)</sup> .	<ul style="list-style-type: none"> <li>- Whether or not the organisation is incorporated (it is included in specific registers)</li> <li>- Whether or not the organisation is non-autonomous (controlled or not by public authorities or other for-profit/non-profit organisations) and the degree of such autonomy (total or partial)</li> <li>- Whether members/owners contribute risk capital (how much) and whether the enterprise relies on paid workers</li> <li>- Whether there is an established procedure in case of SE bankruptcy</li> <li>- Incidence of income generated by private demand, public contracting and grants (incidence over total sources of income)</li> <li>- Whether and to what extent SEs contribute to delivering new products and/or services that are not delivered by any other provider</li> <li>- Whether and to what extent SEs contribute to developing new processes for producing or delivering products and/or services</li> </ul>	SEs must be market-oriented (incidence of trading should ideally be above 25 %)	- We suggest that attention is paid to the development dynamic of SEs (i.e. SEs at an embryonic stage of development may rely only on volunteers and mainly on grants)

<sup>(13)</sup> In accordance with Articles 48, 81 and 82 of the Treaty, as interpreted by the Court of Justice of the European Communities, 'an enterprise should be considered to be any entity, regardless of its legal form, engaged in economic activities, including in particular entities engaged in a craft activity and other activities on an individual or family basis, partnerships or associations regularly engaged in economic activities'.

## Social Enterprises and their Eco-systems

### Updated country report: Ireland

Main dimension	General definition	Relevant Indicators <i>(non-exhaustive list)</i> (yes/no or range from low up to very high)	Initial minimum requirements (yes or no)	Examples/boundary cases comments
<b>Social dimension (social aim)</b>	<p>The social dimension is defined by the aim and/or products delivered.</p> <p><b>Aim:</b> SEs pursue the explicit social aim of serving the community or a specific group of people that shares a specific need. By promoting the general-interest, SEs overcome the traditional owner-orientation that typically distinguishes traditional cooperatives.</p> <p><b>Product:</b> when not specifically aimed at integrating disadvantaged people into work, SEs must deliver goods/services that generate a beneficial societal impact.</p>	<ul style="list-style-type: none"> <li>- Whether the explicit social aim is defined at statutory/legal level or voluntarily by the SE's members.</li> <li>- Whether the product/activity produced/carried out by the SE is aimed at promoting the substantial recognition of rights enshrined in the national legislation/constitutions</li> <li>- Whether SE's action has induced changes in legislation.</li> <li>- Whether the product delivered – while not contributing to fulfilling fundamental rights – contributes to improving societal wellbeing.</li> </ul>	<p>Primacy of social aim must be clearly established by national legislations, by the statutes of SEs or other relevant documents</p>	<ul style="list-style-type: none"> <li>- The goods/services to be supplied may include social and community services, services for the poor, environmental services up to public utilities depending on the specific needs emerging at the local level.</li> <li>- In EU-15 countries (and especially in Italy, France and the UK) SEs have traditionally been engaged in the provision of welfare services; in new Member States, SEs have proved to play a key role in the provision of a much wider set of general-interest services (e.g. from educational services to water supply).</li> <li>- What is conceived to be of meritorial/general-interest nature depends on contextual specificities. Each national expert should provide a definition of what 'public benefit' means in her/his country.</li> </ul>

Social Enterprises and their Eco-systems  
Updated country report: Ireland

Main dimension	General definition	Relevant Indicators ( <i>non-exhaustive list</i> ) (yes/no or range from low up to very high)	Initial minimum requirements (yes or no)	Examples/boundary cases comments
<b>Inclusive ownership (social means) governance-dimension</b>	<p>To identify needs and involve the stakeholders concerned in designing adequate solutions, SEs require particular ownership structures and governance models that are meant to enhance to various extents the participation of stakeholders affected by the enterprise.</p> <p>SEs often <b>limit the distribution of profits</b>. The non-profit distribution constraint is meant to ensure that the general interest is safeguarded. The non-profit distribution constraint can be operationalised in different ways.</p>	<ul style="list-style-type: none"> <li>- Whether SEs are open to the participation and/or involvement of new stakeholders.</li> <li>- Whether SEs are required by law or do adopt (in practice) decision-making processes that allow for a well-balanced representation of the various interests at play (if yes, through formal membership or informal channels; giving voice to users and workers in special committees?).</li> <li>- Whether a multi-stakeholder ownership structure is imposed by law (e.g. France).</li> <li>- Whether SEs are required to adopt social accounting procedures by law or they do it in practice without being obliged to.</li> <li>- Degree of social embeddedness (awareness among the local population of the key societal role played by the SE versus isolation of the SE)</li> <li>- Whether the non-profit distribution constraint is applied to owners or to stakeholders other than owners (workers and users): whether it is short-term (profits cannot/are not distributed or they are capped) or long-term (asset lock); or both short and long-term.</li> <li>- Whether the cap is regulated externally (by law or defined by a regulator) or it is defined by the SE bylaws.</li> <li>- Whether limitations to workers' and/or managers' remunerations are also imposed (avoid indirect distribution of profits).</li> </ul>	<p>SEs must ensure that the interests of relevant stakeholders are duly represented in the decision-making processes implemented.</p>	<ul style="list-style-type: none"> <li>- Ownership rights and control power can be assigned to one single category of stakeholders (users, workers or donors) or to more than one category at a time – hence giving ground to a multi-stakeholder ownership asset.</li> <li>- SEs can be the result of collective dynamics or be created by a charismatic leader (in principle a sole owner is admitted by some national legislations provided that the participation of stakeholders is enhanced through inclusive governance) or public agency.</li> <li>- Different combinations concerning limitations to profit distribution envisaged (e.g. most successful solution: capped dividends supported by total asset lock – Italian social coops, CIC, SCICs).</li> </ul>

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