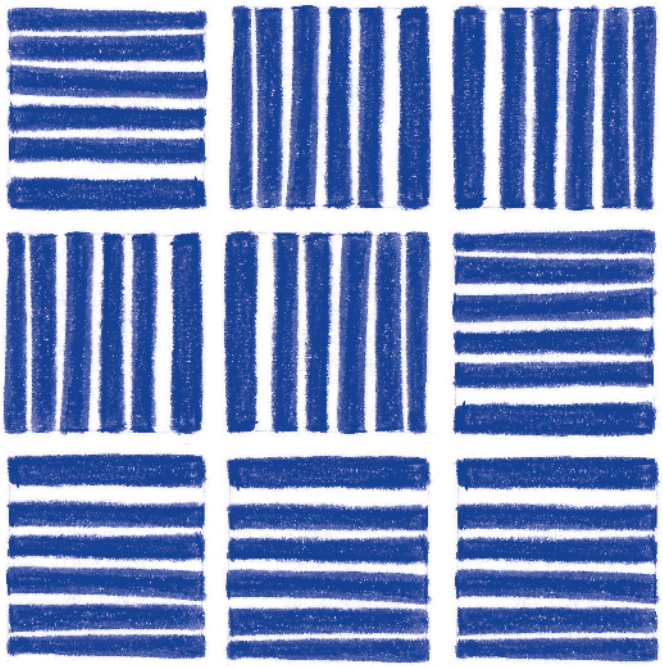
European Commission

SOCIAL ENTERPRISES AND THEIR ECOSYSTEMS IN EUROPE



Country fiche

ICELAND

Steinunn Hrafnsdóttir
Ómar H. Kristmundsson

Social Europe

This fiche is part of the study “Social enterprises and their ecosystems in Europe” and it provides an overview of the social enterprise landscape in Iceland based on available information as of May 2018. It describes the roots and drivers of social enterprises in the country as well as their conceptual and legal evolution. It includes an estimate of the number of organisations and outlines the policy framework as well as some perspectives for the future of social enterprises in the country.

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This fiche provides an overview of the social enterprise landscape in Iceland based on available information as of May 2018. It is one of the seven fiches covering non-EU countries in the study "Social enterprises and their ecosystems in Europe" included in a contract commissioned by the European Commission to the European Research Institute on Cooperative and Social Enterprises (Euricse) and the EMES International Research Network (EMES). Steinunn Hrafnsdóttir and Ómar H. Kristmundsson, from the University of Iceland, were in charge of producing the fiche.

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Countries included in the three social enterprise mappings by the European Commission

No	Country	TYPE	2014	2016	2018-19
1	Albania	Fiche	-	-	✓
2	Austria	Report	✓	-	✓
3	Belgium	Report	✓	✓	-
4	Bulgaria	Report	✓	-	✓
5	Croatia	Report	✓	-	✓
6	Cyprus	Report	✓	-	✓
7	Czech Republic	Report	✓	-	✓
8	Denmark	Report	✓	-	✓
9	Estonia	Report	✓	-	✓
10	Finland	Report	✓	-	✓
11	France	Report	✓	✓	-
12	Former Yugoslav Republic of Macedonia	Fiche	-	-	✓
13	Germany	Report	✓	-	✓
14	Greece	Report	✓	-	✓
15	Hungary	Report	✓	-	✓
16	Iceland	Fiche	-	-	✓
17	Ireland	Report	✓	✓	-
18	Italy	Report	✓	✓	-
19	Latvia	Report	✓	-	✓
20	Lithuania	Report	✓	-	✓
21	Luxembourg	Report	✓	-	✓
22	Malta	Report	✓	-	✓
23	Montenegro	Fiche	-	-	✓
24	The Netherlands	Report	✓	-	✓
25	Norway	Fiche	-	-	✓
26	Poland	Report	✓	✓	-
27	Portugal	Report	✓	-	✓
28	Romania	Report	✓	-	✓
29	Serbia	Fiche	-	-	✓
30	Slovakia	Report	✓	✓	-
31	Slovenia	Report	✓	-	✓
32	Spain	Report	✓	✓	-
33	Sweden	Report	✓	-	✓
34	Switzerland	Report	✓	-	-
35	Turkey	Fiche	-	-	✓
36	United Kingdom	Report	✓	-	✓

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List of acronyms

- **CSO** Civil Society Organisations
- **CSR** Corporate Social Responsibility
- **EU** European Union
- **FTE** Full-Time Employees
- **ICPNO** International Classification of Non-Profit Organisations
- **ISAT** Statistical Classification of Economic Activities
- **NBS** National Bureau of Statistics
- **NGO** Non-Governmental Organisation
- **NPM** New Public Management
- **NPO** Non-Profit Organisation
- **SBI** Social Business Initiative
- **SEC** Statute for European Cooperative Society
- **TSO** Third Sector Organisation
- **UI** University of Iceland
- **WISE** Work integration social enterprise

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Executive summary

Background

Although the terms social enterprise, social innovation and social entrepreneur are relatively unknown in Iceland, the country has a long history of social enterprises fitting the European operational definition. As elsewhere in Europe, freedom of association in the 19th century, urbanisation and a growing middle class formed the foundation for new associations, social movements and cooperatives in the late 19th and early 20th centuries. Initiatives taken by social movements and labour unions in Iceland in the early 20th century paved the way for the present welfare state. Non-profit organisations (NPOs) played a leading role both in establishing and providing welfare services—with or without limited government support.

Fundamental changes in the relations between these entities and the government occurred following the establishment of the welfare state, economic growth and social changes. Indeed, after a large expansion of the government in the 1950s and 1960s, it began to dominate some welfare areas; however, several types of public services were left to NPOs.

Other types of collective movements also emerged, including powerful labour unions and political parties. Cooperative societies also became prominent. Associations increased in numbers in the 1970s and 1980s; this was especially true of social movements and advocacy groups. Non-contractual informal relations were the norm until the 1990s, but with the establishment of New Public Management (NPM), there was a development towards more detailed unit cost contracts.

Iceland experienced financial collapse in 2008, with serious consequences. NPOs played a very important innovative and entrepreneurial role after the crash, establishing all kind of initiatives to respond to the consequences of the crisis. The number of work-integration activities increased after the crisis, and some of them can clearly be labelled as social enterprises.

Historical research shows that civil society has been a great contributor to social innovation and social entrepreneurship. This is still the case today, although some of the older initiatives have grown into quasi-governmental organisations. **There are also new social initiatives, launched by entrepreneurial individuals and small groups in civil society around some special needs and work-integration activities.** These social initiatives closely cooperate with the public sector, but there are also signs of more marketisation and formalisation of relations between the state and the social enterprise sector.

Concept and legal evolution

The concept of social enterprise and social innovation has in general not been embedded in public policy in Iceland. Social enterprises have no legal structure nor specific regulation in the country. However, there is legislation on self-governing foundations and on cooperatives. There is no general law on associations, but the term is found in several items of legislation in Iceland. **Entities that can be categorised as social enterprise are registered as self-governing foundations, associations, cooperatives or private companies; however, the vast majority is registered as associations and self-governing foundations.**

Mapping

As the term social enterprise is not generally used in Iceland, there are no official data on social enterprises as such, and no research is available on social enterprise especially. In Iceland, as mentioned above, social enterprises are equated to associations, self-governing organisations and cooperatives, but also to WISEs that are based on the non-profit principle. Therefore, it is difficult to distinguish social enterprises from the non-profit sector in general. There is no information available on the annual turnover or revenue basis of these entities in Iceland. However, with the assistance of the National Bureau of Statistics (NBS), the number of social enterprises and their paid staff for the period 2012-2017 could be estimated. In the year 2017, the overall number of social enterprises amounted to 258, and they accounting for 1,488 paid staff. However, due to lack of comprehensive statistics and research, it is impossible to estimate the number of social enterprises falling into different categories. In order to be able to do so, in-depth research on social enterprise would have to be carried out in Iceland.

Ecosystem

There is no special policy or support structure aimed at social enterprises. Iceland lags behind many European countries in terms of implementing specific large-scale policy initiatives to support and strengthen social enterprises, social entrepreneurs and social innovation. The same applies in general to the non-profit sector. Some notable initiatives can be mentioned, however. In 2015, the Ministry of Welfare implemented a special policy on innovation in welfare services. There are also some signs of growing interest in social enterprises and social innovation.

Perspectives

It is difficult to anticipate in which way entities considered to be social enterprises according to the EU operational definition will develop in Iceland. There is no national policy or framework for social enterprises or the non-profit sector in general. Nevertheless, there has been growing focus on social entrepreneurship in welfare services in the country. In the political discourse, positive progress has been made, especially on public innovation, and some related initiatives. There are a number of both barriers and opportunities with regard to the development of social enterprises. Barriers include the lack of legislative/regulative framework for social enterprises, which limits their access to business support and finance, and the lack of policy support for social innovation and social enterprises. There is also a lack of knowledge, among the general public, NPOs, the public sector and businesses, of what social enterprise is. However, there are also some opportunities; Iceland's strong non-profit sector, for example, can be seen as an opportunity to develop social enterprises in the future. There are also some signs that the government is now paying more attention to social enterprises and social innovation, and there seems to be interest, on behalf of local authorities, because of the huge challenges the welfare society is facing. It is clear that initiatives involving users have developed after the financial crisis, and there are various work-integration activities for excluded groups. These trends could possibly pave the way for social enterprises to become more central in the future in Icelandic political discourse.

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BACKGROUND: SOCIAL ENTERPRISE ROOTS AND DRIVERS

14 | Background: social enterprise roots and drivers

Although Iceland has a long history of involvement of non-profit organisations (NPO) in delivering welfare services, the terms "social enterprise", "social entrepreneur" and "social innovation" are still relatively unknown in the country. It is only recently that some specific policy initiatives with regard to social innovation and welfare technology have been implemented (Policy on social innovation and welfare technology 2015).

In the academic literature, it is generally agreed that Iceland belongs to the Nordic welfare model (with Denmark, Finland, Norway and Sweden). The Nordic welfare states are known for their universal welfare services and equal opportunities for their citizens. However, Iceland has always deviated from the Scandinavian countries in some aspects. It has been suggested that the Icelandic system is a hybrid of the Nordic welfare model and the liberal model (Ólafsson 2012, Hrafnsdóttir and Kristmundsson 2012a). This has been explained by late modernisation and industrialisation in Iceland, compared to the other Nordic countries. Accordingly, Icelandic welfare agencies developed later than those in other Nordic countries. In addition, the political landscape has differed from that of the other Nordic countries; the right-wing Independence Party has had the strongest political power since 1944, although the social democrats played an important role in passing legislation on public insurance and social security in the 1940s and 1950s. Other authors have argued that the values of self-sufficiency and self-reliance are very strong in Icelandic culture, running parallel with strong individualism, a high-profile work ethic, and a strong role of the family (Júlíusdóttir 1993, Jónsson 2001, Ólafsson 2012).

There is a long-established and deeply embedded tradition in Iceland of NPOs volunteering in welfare services (Hrafnsdóttir 2006a, 2006b, 2008a; Kristmundsson and Hrafnsdóttir 2012). The urbanisation and economic upswing following industrialisation at the turn of the 20th century indeed created several mass movements that focused on human rights and public welfare objectives. Women's associations were established which, in addition to pressing for women's fundamental rights, performed charity and humanitarian work. In addition, a powerful temperance movement became in a short time one of the largest mass movements in the country. These new movements, all rooted in the industrialisation process, established and began to run hospitals and other social and health institutions, which were mainly financed by the associations and the patients themselves.

In the second and third decades of the 20th century, the attitude of public authorities began to change, leading finally to the foundation of the Icelandic welfare system. There were several reasons for these changes. National income increased considerably, as a result of industrialisation of the fishing industry, and consequently urbanisation increased. A new political system, which focused more on domestic problems, was established. Labour unions became influential in public policy-

making and, together with other associations, led the public debate on the need for improvement in health and social security (Hrafnsdóttir and Kristmundsson 2012a, 2012b, 2012c).

All these factors paved the way for increasing public intervention and contributions to the welfare sector in the form of sickness, injury and support insurance. This development led to a substantial increase in welfare expenditure and created the first stable foundation on which private entities operating in the welfare sector could situate and establish themselves. The Icelandic government passed legislation on public insurance in 1936, and a Social Security Act in 1947. These two acts formed the backbone of the state's welfare legislation. Despite this groundbreaking legislation, however, NPOs continued to take the initiative on the delivery of welfare services. The construction of hospitals was primarily in the hands of private organisations, such as the Catholic Church or women's associations, and affluent individuals. The number of associations operating in the welfare sector did not increase substantially during this period, but patients' associations were established for the first time; these campaigned for their clients' interests, but also took the initiative on establishing and running treatment facilities.

Despite the establishment of the social security system, associations continued to fund and operate various welfare institutions. The official system provided an important regular income in the form of day rates, a payment from the government based on the care of one patient per day. However, official funding levels remained insufficient, and an examination of the history of various associations during that period reveals constant financial problems and requests for increased governmental support.

Other types of collective movements also emerged, including powerful unions and political parties, which formed strong alliances as in the other Nordic countries. Cooperative societies became prominent and were primary players in increasing the number of commercial and industrial jobs in the country. Apart from the social security system, the government directed its attention and resources to industrial and economic affairs.

In the 1970s and 1980s, various patients' organisations and member-oriented associations formed the umbrella group known as "The organisation of disabled people in Iceland" (*Öryrkjabandalagið*). This group became a powerful means of putting pressure on the welfare state to shoulder responsibility for dealing with various problems; the umbrella group also insisted on being given a role in the policy-making process.

It was not until the latter half of the 20th century that fundamental changes occurred in relations between NPOs and the government, as a result of the various combined factors—namely the establishment of the Icelandic welfare state, economic growth and social changes. The government gradually took over

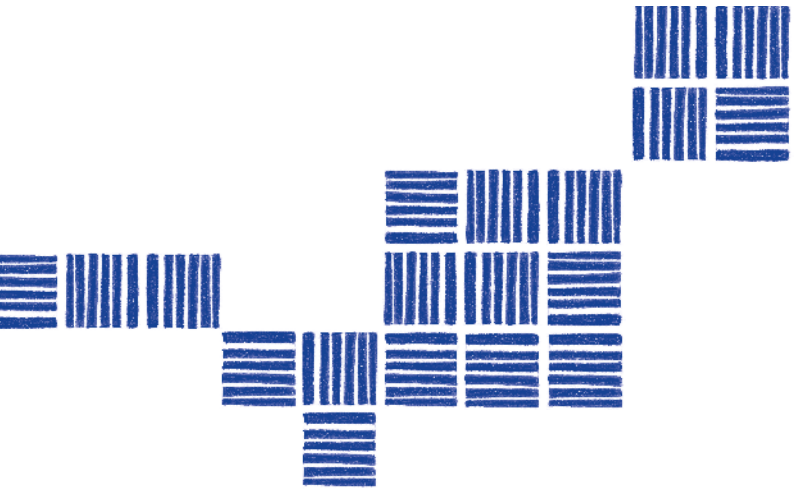
general hospitals and some other activities in the health sector. As a consequence, some NPOs became quasi-governmental agencies. **However, this increase in public responsibility did not crowd out as many NPOs as might have been expected. Several welfare services remained under the responsibility of the non-profit sector, though with government funding notably, the running of nursing homes, rehabilitation centres, residential services for disabled people, and treatment facilities for alcohol and drug-abusers. In these areas, NPOs are still large or even dominant today in terms of their level of activity and staff numbers** (Hrafnsdóttir and Kristmundsson 2012c, Sigurdardóttir ***et al.*** 2016).

A close relationship also developed between the state and interest organisations in implementing public policies. Non-contractual informal relations were the norm until the 1990s. With the establishment of New Public Management (NPM), in 1991, a development was initiated towards more detailed unit-cost contracts. This was the first time that a government White Paper included privatisation goals and aimed to implement outsourcing programmes to private organisations in order to ensure efficient and effective public services. This development led to an increase in various types of formal service contracts at various administrative levels. A legislative framework for contracting and tendering was created. However, most of the contracts made in this period were so-called "soft" and less specific contracts, focusing—as had been seen earlier—on cooperation rather than competition, and on trust rather than distrust. State/non-profit communication in general was largely based on trust, although monitoring and surveillance were also part of the agreement. For the most part, the government contracted with parties that were considered trustworthy and had a good reputation. However, this development seems to have occurred at a slower pace in Iceland than in the other Nordic countries, even though the end of the 20th century was characterised by formal contracts and NPM. There was also an increase in membership of all kinds of advocacy groups in Iceland fighting for various causes and even establishing new initiatives (Kristmundsson 2009, Hrafnsdóttir and Kristmundsson 2011, 2012a, 2012c).

Like many other countries worldwide, Iceland experienced a financial collapse in 2008, with serious consequences. The gross domestic product contracted by some 10% in two years (2009 and 2010) and unemployment rose from 1-2% in 2007-2008 to about 9% in 2009. Real earnings plummeted drastically, private consumption contracted by some 24% between 2007 and 2009, and household, corporate and government debt escalated. The contry had to apply to the International Monetary Fund and neighbouring countries for emergency assistance, loans and guidance (Hrafnsdóttir and Kristmundsson 2010).

The role of NPOs after the crisis has not been studied systematically with regard to their innovative or entrepreneurial role. However, analysis of official documents from the Ministry of Welfare and of the annual reports of relevant

NPOs indicates that they played an important innovative and entrepreneurial role during the crisis. These organisations joined forces with the government in establishing all kinds of shelters, labour-market incentives, voluntary work for unemployed people and food distribution, and they participated at government level in policy-making and consultation on reactions to the crisis (Hrafnsdóttir and Kristmundsson 2010, The Nordic Welfare Watch 2017). **The number of NPOs in labour-integrative activities grew considerably after the crisis and some of them can clearly be categorised under the term "social enterprise"; in particular, they are involved in work with vulnerable groups, sometimes providing them with a means of entering the private-sector labour market. Historical research shows that civil society has been a great contributor to social innovation and entrepreneurship. This is still the case today, although some of these older initiatives have grown into quasi-governmental organisations that are not very innovative anymore. There are also new social initiatives that come from entrepreneurial individuals and small groups in civic society around some special needs and labour-integrative activities**. In Iceland, just like in the other Nordic countries, these social initiatives closely cooperate with the public sector, and they would hardly survive without its support. Nevertheless, policy discussion on the challenges that the welfare state in Iceland is facing, as in other countries, due for example to demographic changes (older population, migration, etc.), new social needs and fiscal constraints on the public sector, has resulted in more emphasis being put on social innovation and social entrepreneurship, especially with regard to inclusion of vulnerable groups in society.



2

CONCEPT AND LEGAL EVOLUTION

2.1. Defining social enterprise borders

2.1.1. The EU operational definition of social enterprise

This report draws on the organisational definition included in the Social Business Initiative (SBI) of 2011. According to the SBI, 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 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:

- an entrepreneurial dimension,
- a social dimension,
- a dimension relative to governance structure.

Provided that the pursuit of explicit social aims is prioritised through economic activities, these three dimensions can be combined in different ways and it is their balanced combination that matters most when identifying the boundaries of the social enterprise phenomenon.

Building upon this definition, the Commission identified a set of operational criteria during the previous stages of the Mapping Study (European Commission 2015, 2016) and refined them for the purpose of the current phase of the study (see appendix 1 for further details).

2.1.2. Application of the EU operational definition of social enterprise in Iceland

The national context, such as it has been described above, is important to understand the potential, synergies, border cases and controversial issues that can be identified when applying the EU operational definition of social enterprise in Iceland.

When using the EU operational definition, it is necessary to discuss the concepts and terms that are dominant in the Icelandic context. This analysis is built on research, official policy documents and legal regulations.

Social enterprises in Iceland usually take one of the three following forms:

- Associations
- Cooperatives
- Self-governing foundations

The term "social enterprise" is fairly new and rarely used in Iceland. It is most common in academic and public discourse to use the term "non-governmental organisation" (in Icelandic *frjáls félagasamtök*, which translates literally as "free associations") and "non-profit sector" and "third sector". "Civil society" is used as an umbrella term for all these entities, though its use is limited (Hrafnsdóttir 2008, Bragason and Kristmundsson 2011). "Corporate social responsibility" (CSR), "social entrepreneurship" and "social innovation" have also gained some currency in recent years (Ólafsson *et al.* 2014, Tema-Nord 2015). "Work-integration social enterprises" (WISEs) and "user organisations" are also sometimes used.

The term "general association" is often used in legal contexts. For this purpose, an association is defined as "an organised entity of a number of persons who unite or join together on a voluntary basis for some special non-profit purpose" (Björgvinsdóttir 2008). **Despite the existence of a high number of NPOs in the country and their important social function, a comprehensive legislation on their activities does not exist in Iceland, as most other operating entities have. However, many laws and rules apply to associations just as they do to other entities in Iceland** (Bragason and Kristmundsson 2011).

"Non-profit organisations" are defined as entities that meet the following criteria: (a) they must not distribute profit; (b) they are self-governing and organisationally separate from the government; (c) they must have some formal structure, defined by regulations or formal rules; and (d) they must be based on free membership, and involve, to some extent, voluntary work (Hrafnsdóttir 2006a, 2006b, 2008a). This definition is based on the comparative research on the non-profit sector led by the John Hopkins University and on the so-called ICPNO categorisation.[1] Researchers and policy makers in Iceland use this definition, although Iceland has not participated in this research. The definition is quite wide and does not allow to fully grasp the complexity of the sector, but it is well-adapted to the Icelandic context to the extent that its main emphasis is on the non-profit distribution, which is central in Icelandic discourse. **Associations/ NPOs have a long history of providing social services in Iceland, especially for vulnerable groups**. The organisation "ÁS non-profit organisation for disabled people" (*ÁS styrktarfélag*) illustrates a social enterprise that has been operating for more than 50 years and is providing very valuable services in the country for disabled people.

(1) http://ccss.jhu.edu/research-projects/comparative-nonprofit-sector-project/

Illustration 1. ÁS non-profit organisation for disabled people (*ÁS styrktarfélag*)

Ás styrktarfélag (ÁS) is an NPO registered as an association and one of the leading organisations in Iceland in the field of service provision to people with disabilities. ÁS is a mutual-benefit organisation and has established various types of service. Offering long-term residence, providing day-care for children and work-related offers for adults, helping people to find jobs in the labour market and finding ways to make it easier for disabled persons to keep their own home are some of the organisation's many concerns. All the board members of the organisation are parents or close relatives of people with disabilities.

The organisation has a strong relationship with many independent supporters as well as with other associations and companies that have helped the organisation to grow and blossom. ÁS currently provides service to 270 persons with disability, and it has approximately 350 employees and around 700 members registered. Its funding comes from contracts with the city of Reykjavik and other municipalities in the capital area.

ÁS opened its first day-service centre in 1961. Nowadays, the organisation operates four centres; each is organised to provide services or work to different target groups. In the last few years, the need and demand for change have been growing, so ÁS decided to engage into restructuring and innovation. Today, the organisation puts more emphasis on work integration activities and activity groups for disabled people.

www.styrktarfelag.is

Cooperatives are companies founded on the basis of cooperation; they aim to achieve mutual monetary benefit for their members, in proportion to the latter's financial participation in the cooperative's activities, in accordance with §1 of the Co-operatives Act (Act No. 22/1991). **Cooperatives are regulated by the general legislation on cooperatives, the Special Act on Housing Cooperatives (Act No. 66/2003) and the Special Act on Building Cooperatives (Act No. 153/1998)**.

According to the data provided by the National Bureau of Statistics (2017), there are currently only 35 cooperatives in Iceland; they are mostly farmers' cooperatives running dairies productions, groceries, etc. These cooperatives are only selling products and their main interest is profit-making for their own members, so they do not meet the EU operational definition of social enterprise adopted in the framework of this study. There are only four housing cooperatives and one cooperative providing services to disabled persons that could possibly meet the definition. Iceland has implemented the SEC Regulation (Statute for European Cooperative Society) in the form of Act No. 92/2006. However, this Act seems to have gone totally unnoticed by the general public

and professionals. There has thus been no general debate on this implementation. The cooperative movement collapsed in the late 1980s, resulting in the bankruptcy of several farmers' cooperatives, and it has not regained its former power since then. Consequently, the number of cooperatives in Iceland fell from 152 in 1990 to 35 in 2009 (Jónsson 2010).[2] An example of a cooperative in Iceland that meets the EU operational definition of social enterprise is the NPA Centre (see illustration 2 below).

Illustration 2. NAP Centre

The NPA Centre is a cooperative established in 2010 by 33 founding members. It is owned and managed by people with disabilities. This is one of the youngest cooperatives in Iceland and, to our knowledge, the only one operating in the social and health sector. The main mission of the cooperative is to provide personal services and assistance to people with disabilities; it uses direct municipal funding (which is provided for by law) to recruit its own staff, thus ensuring control over the way in which assistance is organised so as to efficiently meet the members' needs in everyday life. The second purpose is to provide training, seminars and courses for people with disabilities and their families. Personal assistants (recruited by members) work according to job descriptions written by the members themselves, according to their needs and wishes. The aim is to enable people with disabilities to live independent lives and to have the same opportunities to live their life as non-disabled people and to manage the way in which their assistance is organised, tailoring it to their personal needs. The ideology of the NPA centre is based on the philosophy of independent living, that has its roots in the disability rights movement and is today a worldwide movement of people with disabilities working for self-determination, self-respect and equal opportunities.

In order to become a member of the NPA Centre, prospective members need to fulfil the following terms (according to the regulations, paragraph 4): "Individuals who have disabilities and have access to accepted municipal payments can become members of NPA and use the services of the cooperative. Those individuals who have disabilities and do not yet have access to municipal payments have the right to join the cooperative." Members must pay 5,000 Icelandic krona (ISK) (around 40 EUR) when joining the cooperative and becoming a member.

www.npa.is

(2) According to the National Bureau of Statistics, the number of cooperatives has not varied between 2009 and 2017.

Foundations are established for a definite purpose, and they are generally expected to operate for an unspecified period. In Iceland, foundations are referred to as "self-governing foundations". Indeed, the foundation alone owns its assets, and an independent board is in charge of managing these assets. The distribution of profits to the members of the board is not allowed, and there are no shareholders. If some profit is generated, it must be ploughed back into the foundation. In this respect, the organisation of foundations is fundamentally different from that of other entities, whose members generally have the final say on operations and also frequently benefit from financial rights (Björgvinsdóttir 1999). Specialisterne Iceland, described in illustration 3 below, constitutes an example of a self-governing foundation.

Illustration 3. Specialisterne Iceland

Specialisterne Iceland is a self-governing foundation that was established in 2010 by a group of parents of children with autism who belonged to the Autism Association in Iceland. Specialisterne Iceland provides assessment, training, education and IT consultancy services. Most of the employees are people with autism. The foundation's mission is the same as that of the umbrella organisation, Specialisterne Denmark, i.e. to assess the capacities of and train people with autism to help them achieve an active role in the labour market, assess the markets in which people with autism can perform valuable tasks and increase awareness of their positive contributions in society.

Specialisterne Iceland currently has three employed staff and provides services for 14 to 18 persons with autism each year with the aim to provide them with training and jobs on the open labour market. Their revenue base is mixed; it relies on service contracts with local authorities, project grants, donations from private companies and sale of their services.

www.specialisterne.is

There is no legal definition of WISEs in Iceland. However, the term "vocational rehabilitation organisation" (*starfsendurhæfing*) is used to refer to organisations that pursue a work-integration goal. These entities are often registered as self-governing foundations or associations. Their main aim is to integrate vulnerable people into the labour market and/or society. Many of them could be categorised as social enterprises according to the EU operational definition. Illustration 4 shows the case of *Örtækni*, an association that operates as a WISE in Iceland.

Illustration 4. Nanotechnology (*Örtækni*)

Örtækni ("Nanotechnology" in English) was founded in the year 1976. It is registered as an association and owned by *Öryrkjabandalag Íslands* (Organisation of Disabled People in Iceland), and is operated on its responsibility. The social mission of Örtækni is to provide people with disabilities with temporary job training and/or work and to serve disabled people through the sale and maintenance of assistance equipment. Örtækni has specialised in production, sale and service of all kinds of cables and interfaces for the technology industry. Örtækni also operates a cleaning department that offers cleaning services to organisations. It employs about 30-40 people in 20-25 positions. In the technology workshop, there are around 15-20 employees, most of them disabled. Their revenue base is mixed; it relies on service contracts with local authorities, the sale of products and grants from the Organisation of Disabled People in Iceland.

http://www.ortaekni.is/

Other terms that are used in Iceland are those of "third sector" (***þriðji geirinn***), "voluntary sector" (***sjálfboðageirinn***), "non-governmental organisations" or NGOs (***frjáls Félagasamtök***) "charities" (***góðgerðarfélög***) and "public-benefit organisations" (***Almannaheillasamtök***). All these terms are defined in a very similar way, both in public and academic discourse. Since 2008, the term "third sector" has gained more popularity, especially with the establishment of the Association for Icelandic Third Sector Organisations (***Almannaheill***), and also with the publication of the first Icelandic academic work on the management of NPOs (Hrafnsdóttir and Kristmundsson 2008). The term "private enterprise in welfare services" (***Fyrirtæki í velferðarþjónustu***) has also been used since 2002, when an association of these entities was established. Their members are mostly self-governing foundations or private enterprises in welfare services.[3]

"Civil society" (***borgaralegt samfélag***) or civil society organisations (CSOs) are often used to refer collectively to NGOs; however, "CSOs" is also used interchangeably with the term "NGOs" in general. CSOs constitute a channel for Iceland's development cooperation and humanitarian assistance, which is presently guided by the country's strategy for development cooperation (Ministry of Foreign Affairs 2011). In academic discourse, "civil society" is often used in a wider context, including informal groups and networking (Hrafnsdóttir 2012b).

In general, it is quite common for representatives of the sector, public authorities or even academics to use all these concepts interchangeably. There is also a lack

(3) See www.samtok.is

of awareness, among the third sector, general public, policy makers and investors, that social enterprises operate any differently from other entities or NPOs.

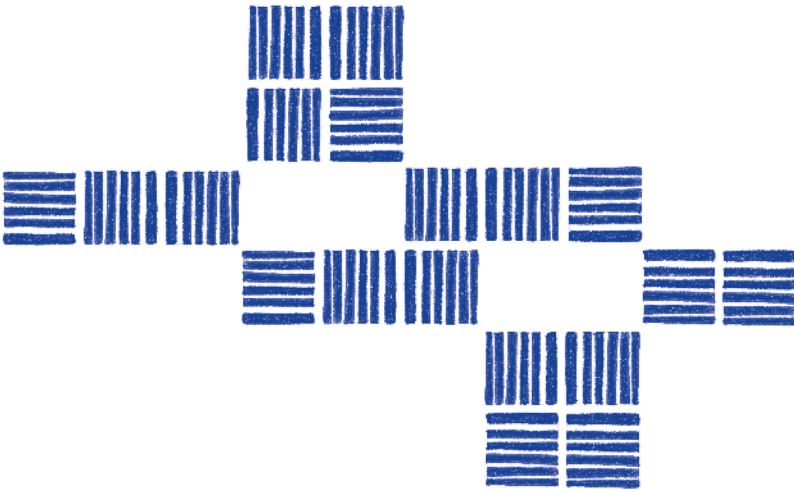
As there is no legal framework for social enterprises in Iceland, these entities can take various organisational forms, such as those of association, self-governing foundation, cooperative or private company.

Social enterprises are very strongly connected to the public sector, and although they have a mixed revenue basis, they are mainly financed by grants and service contracts with public administrations. However, donations, membership fees (in some cases) and sales of products and services can also be considerable. However, there is no research or official statistics available on their revenue base in general. A research on 94 NPOs engaged in welfare services in 2011 (some of which could be categorised as social enterprises according to the EU operational definition) found that public funding was an important income base for 62% of the organisations. Around half of the surveyed organisations declared that private grants were an important source of income, and the sale of goods and services was an important income base for 36% of the organisations (Hrafnsdóttir and Kristmundsson 2016).

2.2. Legal evolution

Even though there is no specific legal framework for social enterprises in Iceland, various entities can be categorised under the term, using the EU operational definition as a frame of reference, and various laws govern these entities, depending on their legal form: there is legislation on self-governing foundations (Acts No.19/1988 and No. 33/1999) and on cooperatives (No. 22/1991). There is also a law on Vocational Rehabilitation and on the Operation of Vocational Rehabilitation Funds (No. 60/2012). There is no general law on associations, but the term is mentioned in 44 items of legislation in Iceland. According to the Act on the Registration of Enterprises (Act No. 17/2003), associations can be registered in the public register of enterprises, but this is not mandatory. However, if the association hires paid staff or want to open a bank account, registration is compulsory.

Entities that can be categorised under the term social enterprises are mainly registered as self-governing foundations and associations; only few are registered as private companies or as cooperatives.



3

MAPPING

This section maps social enterprises in Iceland, analysing their scale and characteristics. However, due to the lack of available data, it has not been possible to provide a comprehensive description of the subset of all the organisations that broadly meet all of the operational criteria and which could thus be categorised as social enterprises.

3.1. Measuring social enterprises

As the term social enterprise is not generally used in Iceland, it is not surprising that there is no official data on social enterprises as such. The inclusion of entities in any analysis also depends on the definition used. In Iceland, the term is equated with the non-profit sector (associations, self-governing foundations and, in a few cases, cooperatives) in general, but also with WISEs. **Therefore, it is difficult to distinguish social enterprises from the non-profit sector in general. Moreover, finding exact data on the number of active NPOs and their operations is problematic in Iceland, since official statistical information does not separate active organisations from non-active ones, and some organisations are not required to provide financial statements**. Moreover, as has already been underlined, as there is no legal framework for associations, the registration of their activities is non-mandatory, except in the cases where the entity has staff on payroll or if it wants to open a bank account (which is necessary if the organisation receives grants from the government). The purpose and mode of operation of foundations, which make up approximately one third of all NPOs in the welfare sector, do not differ in practice from those of associations (Bragason and Kristmundsson 2011).

The existing data collected by the National Statistical Bureau (NSB) provides only limited opportunity to measure those entities that can be categorised under the term "social enterprise" and meet the EU operational criteria. As a consequence, statistically speaking, social enterprises constitute a very fragmented group in Iceland. With the assistance of the NBS, it was decided to try to use ISAT2008[4] to estimate the number of social enterprises in Iceland and the number of employees working in these entities. Most of these entities are registered as service providers in the category "other services", and some in "health and social services". Four are registered as housing cooperatives and one as a cooperative. Professional organisations, labour unions and housing associations were excluded because they do not meet the EU operational criteria. Furthermore, nursing homes and homes for disabled people were also excluded from the statistics, although the majority of them have the legal form of self-governing foundation or association, because these entities are often like quasi-governmental

(4) Íslensk atvinnugreinaflokkun, ISAT2008 / Statistical classification of economic activities in the European Community NACE rev.2

organisations and would probably not fit the EU operational criteria. It was also decided to exclude sport organisations, although some of them could be on the border of being considered as social enterprises (see more detailed explanation in appendix 2).

With the assistance of the NBS, the following data were produced. There is no information available on the annual turnover or the revenue basis of these entities in Iceland, neither by official statistics or research.

Table 1 presents the available figures concerning associations, self-governing foundations and cooperatives with paid staff for the period 2012-2017. **Associations and self-governing foundations are the two categories that are generally seen as constituting the core of the non-profit sector; many of these entities would meet the key criteria of the EU operational definition, though some of them would not**. It was also decided to include housing cooperatives and one general cooperative that are likely to meet the operational criteria.

Under such conditions, these figures should be seen as only constituting a first, initial step towards a more detailed mapping regarding the s of the social enterprise sector in Iceland.

Table 1. Number of social enterprises with paid staff (2012-2017)

SE category	2012		2013		2014		2015		2016		2017	
Self-governing foundations	42	16%	45	16%	41	15%	45	16%	39	14%	32	12%
Associations	223	83%	229	82%	229	83%	229	82%	229	84%	221	86%
Cooperatives	5	2%	5	2%	5	2%	5	2%	5	2%	5	2%
Total	**270**	**100%**	**279**	**100%**	**275**	**100%**	**279**	**100%**	**273**	**100%**	**258**	**100%**

Source: National Bureau of Statistics, 2017.

As can be seen in table 1, organisations operating as associations form the significant majority of all organisations with social objectives that operate in Iceland—namely 86% for the year 2017. For the same year, self-governing organisations accounted for 12%, and cooperatives, for 2% only. Most of these entities could be considered as meeting the criteria of the operational definition.

With regard to WISEs, there is no specific official register of these entities in the country. Their legal form is usually that of associations or self-governing foundations, so they are included in the table above. However, the webpage of the Association for

Work and Work Ability[5] reveals that there are around 24 entities that are members. These entities mainly work with disabled people. According to the National Audit Office, there were around 36 WISEs operating in Iceland in 2016, and in a report on vocational rehabilitation in 2013, about 25 WISEs were listed (Fenger ***et al.*** 2013). Taking these different data sources, it could be estimated that 20-36 WISEs operate in Iceland. Most of them would meet the operational definition of social enterprises.

Moreover, it could be estimated that there are also around 11-12 registered small private companies producing goods on the market and operating as associations or self-governing organisations. However, there is no statistics or research available on these entities at the present time so they are not included in the estimation of social enterprises.

As Table 2 illustrates, it can be estimated that there were about 1,488 workers in social enterprises in Iceland in the year 2017.

Table 2. Number of employees (full-time and part-time) in social enterprises (2012-2017)

SE category	2012		2013		2014		2015		2016		2017	
Self-governing foundations	152	10%	165	10%	160	10%	185	11%	180	11%	173	12%
Associations	1,368	88%	1,392	87%	1,387	88%	1,447	87%	1,434	87%	1,279	86%
Cooperatives	34	2%	37	2%	38	2%	34	2%	34	2%	36	2%
Total	**1,554**	**100%**	**1,594**	**100%**	**1,585**	**100%**	**1,666**	**100%**	**1,648**	**100%**	**1,488**	**100%**

Source: National Bureau of Statistics 2017. Adjusted for major actors such as nursing homes and homes for disabled people that probably do not meet the social enterprise operational criteria.

On average, 1,589 persons worked in social enterprises in the period between 2012 and 2017. **In 2017, associations employed the majority of workers (86%) in social enterprises in Iceland**. The largest organisations probably employ a large share of this workforce, while smaller ones often hire only two to four employees. Such assumption is supported by a research carried out by Kristmundsson and Hrafnsdóttir in 2010 on 144 NPOs operating in the welfare sector (some of which would meet the EU operational definition criteria). This research estimated the total workforce of these 144 organisations to represent 2,500 full-time equivalents (FTEs); of these, 1,400 were employed by the five largest organisations. The average number of FTEs

(5) http://www.hlutverk.is/

per organisation was 24, but the median was much lower—it only amounted to two (Kristmundsson and Hrafnsdóttir 2012).

In the absence of a clear definition of social enterprises in the country, and given the lack of official statistics and research, it is difficult to distinguish social enterprises from the wider non-profit sector. However, when applying the EU operational definition to the group of WISEs, associations and self-governing organisations in Iceland, it clearly appears that these organisations have many common features with social enterprise such as it has been defined for the purpose of the present study, such as the emphasis on non-profit distribution, economic activity, social aim and independent governance. Due to lack of comprehensive statistics and research, it is however currently impossible to provide accurate estimates of the number of social enterprises that fall into different categories. In order to do this, an in-depth research on social enterprise in Iceland would have to be carried out.

3.2. Social enterprise characteristics

In the absence of official data on social enterprises in the Iceland, it is difficult to provide a reliable overview of the field of activities and target groups of the initiatives that can be considered as such. However, analysing available reports, the webpages of associations and research on the history of the welfare state provides us with some insights into the subject. **It appears that the Icelandic entities that could be considered as social enterprise have the aim to solve some identified needs and social problems, often in a welfare context. The initiatives are often aimed at integrating disadvantaged groups in society, such as disabled people, elderly people, poor people, migrants, youth, etc. without a profit-making aim**. Some of the initiatives aim to provide labour-integration activities, as explained earlier.

In few cases, data collected on the website of relevant entities revealed that associations and/or self-governing foundations that work with disabled people had established small private companies under their umbrella with a view to producing goods on the market. In these few cases, achieving sustainability or generating profit was one of the organisation's aims.[6] There are no reliable statistics on these entities, but it could be

(6) *Blindravinnustofan*" ("Workshop for blind people" in English) provides an example of such a small private company launched by an association; it is run under the Icelandic Association of the Visually Impaired (BIAVI). The aim is to provide work and a training place for blind, partially sighted and other disabled people. The company's main activity is packaging and branding cleaning products for retail sales (http://www.blindravinnustofan.is/english).

estimated that around 11-12 associations or self-governing foundations operate small private companies producing and/or selling goods.[7]

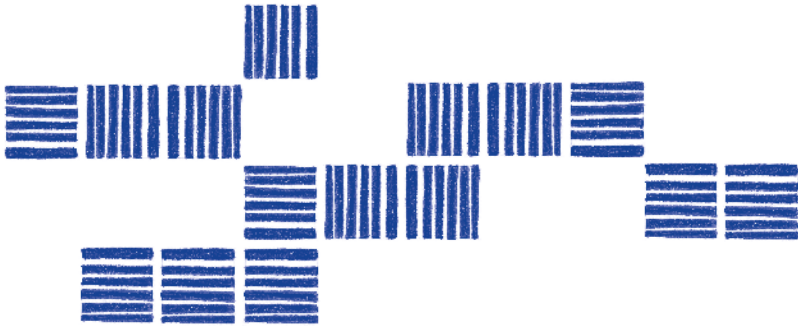
In general, social enterprises in Iceland have a varied income mix, combining resources from the sale of services to local authorities under service contracts, the sale of products and goods to private customers, public grants and private donations. There are no statistics or grey literature that could provide details on this income mix but, according to information from several associations and self-governing foundations in Iceland, there is much more emphasis today than before the 2008 crisis on market-based methods and sales. However, most of these entities still rely heavily on the government for funding; that is a general characteristic of the Nordic welfare states.

The only research carried out on NPOs providing welfare services in Iceland included several categories of organisations. The first one referred to service organisations offering labour-intensive services, such as nursing homes and rehabilitation services. The second category involved member-oriented organisations providing social support and advise, such as associations of various patients' groups. The third category consisted of entities whose main purpose was campaigning for a cause, such as organisations fighting drug abuse among young people or campaigning for the rights of disabled people (Hrafnsdóttir and Kristmundsson 2012). Furthermore, included in the third category there are entities that provide on-the-job training or education for disadvantaged unemployed groups in society.

(7) See https://www.thekkingarmidstod.is/english

4

SOCIAL ENTERPRISE POLICY FRAMEWORK



4.1. Public support schemes targeted at social enterprises

There are no specific policy or support structures for social enterprises in Iceland. There are many initiatives and political interest with regard to entrepreneurship in general, usually linked to technical solutions, but there has been little political interest in social enterprise, social entrepreneurship and social innovation until recently.

Iceland lags behind many European countries in terms of implementing specific large-scale policy initiatives to support and strengthen social enterprise, social innovation and social entrepreneurs. Such observation also applies, in general, to third sector organisations. Some notable initiatives can however be mentioned. **In 2015, the Ministry of Welfare implemented a special policy on social innovation in welfare technology**. As part of that policy, the Ministry established a social innovation fund to promote social entrepreneurship and social innovation; both municipalities and other entities providing social services are eligible for application. **In April 2017, the first Icelandic business accelerator for social innovation was launched**, in cooperation with the Höfði Reykjavík Peace Centre at the University of Iceland, the Innovation Centre Iceland, FESTA - Icelandic Centre for Corporate Social Responsibility, the University of Iceland, the City of Reykjavík, the Ministry for Industries and Innovation and the Iceland Academy of the Arts. The endeavour is meant to strengthen diversity in Icelandic innovation and create a forum for social entrepreneurial activities.[8] There are thus some signs of increasing interest in social innovation.

The Innovation Centre Iceland is a publicly funded organisation that provides a range of services to Icelandic entrepreneurs, including social entrepreneurs and social enterprises. It combines workshops, incubator services and support for development programmes. Some of the work is targeted specifically at individual groups in society, e.g. women who are entrepreneurs and the unemployed. The Directorate of Labour supports programmes for these groups that provide grants for innovation projects and marketing linked to starting up new businesses that can help to create jobs.

Another example is Virk Vocational Rehabilitation Fund (VIRK), a private foundation in the third sector, whose members include all the big unions and employers. VIRK provides grants for developing new solutions and for research projects. Services are also purchased from various providers of welfare services, such as voluntary organisations and individuals, giving these providers the opportunity to develop and test innovative ways of providing vocational rehabilitation services.

(8) Friðarsetur Háskóla Ísland (https://www.fridarsetur.is/en/news/first-social-accelerator-launched-iceland)

There are some publicly funded schemes under which NPOs (some of whom could be categorised as social enterprises), individuals and, in some cases researchers, can apply for financial support on a competitive basis. These grants are usually project-based. For example, the Ministry of Welfare provides grants in several welfare areas, such as employment for women and increased participation of people with disabilities in society, as well as grants for research and development in the refugee and immigrant field.

There are two incubation centres in Iceland. One is Klak/Innovit Entrepreneurship Centre, which is owned by several different public and private organisations. The Centre's main goal is to help people start new businesses and launch new ideas. The Centre pursues this mission in different ways, offering workshops, courses, advise, financing and mentoring. It provides office facilities for meetings or conferences, and a forum to bring investors and entrepreneurs together. It also organises an annual competition, "The Golden Egg", for social entrepreneurs. The other incubation centre is the Innovation Centre Iceland mentioned above.

4.2. Other specific support and infrastructure available for social enterprises

There is in Iceland a lack of education on social entrepreneurship, social enterprises and social innovation at university level. The Faculty of Social Work of the University of Iceland (UI) teaches the only course in social entrepreneurship and welfare technology in the country. However, there are also courses in general entrepreneurship and innovation at the University of Iceland, University of Reykjavík, University of Bifröst and University of Akureyri.

4.3. Networks and mutual support mechanisms

In Iceland, there are two networks that are tailored to social enterprises. These are:

- The Association for Icelandic Third Sector Organisations, ***Almannaheill***, which is an umbrella organisation for public-benefit organisations in Iceland. Its main goal has been to lobby for comprehensive legislation on associations and for improving the working environment of these entities. Recently, ***Almannaheill*** has also organised, in cooperation with the University of Reykjavík and UI, further

educational courses in non-profit management for practitioners. The Association is solely run on a voluntary basis.[9]

- ***Kveikja*** is a newly established volunteer-led organisation whose aim is to understand the social enterprise landscape in Iceland and to be the leading organisation in the field of social enterprise in Iceland.[10]

(9) www.almannaheill.is
(10) www.socent.is

5

PERSPECTIVES

5.1. Overview of the social enterprise debate at national level

It is difficult to anticipate in which way entities considered to be social enterprises according to the EU operational definition will develop in Iceland. There is no national policy or framework for social enterprises or the non-profit sector in general. Nevertheless, there has been growing focus on social innovation and social entrepreneurship in welfare services in the country. **In official documents and in interviews conducted with relevant stakeholders, it clearly appears that there is more emphasis on social innovation and social entrepreneurship in organisations, both at the local level and in the government, than there used to be**. In the political discourse, there have been positive discussions, in particular about public innovation. However, social enterprises are not yet really part of any discourse in Iceland, be it positive or negative. Furthermore, the public organisation Innovation Centre Iceland has not especially put social enterprises or social entrepreneurship on its agenda.

Although, Iceland lags behind the other Nordic countries in this regard, interest in third sector organisations has been increasing recently, especially since the formation of the Association for Icelandic Third Sector Organisations. Some of the associations and self-governing foundations belonging to this Association would be considered as social enterprises according to the operational definition used for this study.

5.2. Constraining factors and opportunities

There are a number of barriers that act as a constraint on the start-up and development of social enterprises in Iceland. Such constraining factors include the lack of legislative/regulative framework for social enterprises (and the non-profit sector in general), which limits these initiatives' access to business support and finance, and a lack of public policy support for social innovation and social enterprises. There is also a lack of awareness, among the general public, NPOs, the public sector and investors, of what social enterprises are. Finally, there is also a lack of collaboration between ministries and sectors, and what can be labelled as a "silo mentality" in government that impedes the development of this field. However, there are also some opportunities for social enterprise development in the country. The strong history and roots of the Icelandic voluntary sector can be seen as an asset to develop social enterprise in the future. After the economic crisis, there has been more emphasis on activation and job creation for vulnerable groups; this could constitute

an opportunity to develop social enterprises in collaboration with the government. The challenges faced by the welfare state, such as growing aging population, budgetary constraints and increasing demand for welfare services, could also be seen as an opportunity to establish social enterprises in the future. **There are several ways to support the development of social enterprises and social innovation in Iceland, including: strengthening knowledge about them in the school system and among the general public; increasing research and higher education training in the field; developing public policies and regulative frameworks that encourage their emergence; increasing cooperation between ministries to establish a dialogue and provide concrete support structures as well as different funding opportunities; and reviewing the procurement regulations**. There is also currently an opportunity to increase cooperation between sectors (private sector, public sector, social enterprises).

5.3. Trends and challenges

There are some signs that the government has recently been paying more attention than in the past to social enterprise, social entrepreneurship and social innovation. The coalition government that came into power in 2013 did put a lot of emphasis on changes in organisational structure and system restructuring within public agencies, with the aim of improving public services. Changes in demand and lack of funds will force the public sector to further innovate in the future. An administrative reform agenda has been implemented; one of the main goals of this reform agenda is to encourage innovation within the public sector so that services will meet the future demands of the people and the community. The agreement of the new coalition government consisting of the Progressive Party, the Left-Green Movement and the Independence Party that came to power in 2017, emphasised the development of a comprehensive innovation policy with more support and easier access to funding for entities. The agreement also states that priority will be given to encouraging innovation in public services and administration, the welfare services and projects dedicated to combating climate change.[11]

In the interviews conducted with stakeholders for the purpose of this study, it clearly emerged that the interviewees had noticed a more positive attitude and plans of policy-making in this field on the part of the government, as well as more interest for the topic on the part of local authorities, because of the huge challenges that the welfare society is currently facing. The interviewees also mentioned that the notions

(11) https://www.stjornarradid.is/lisalib/getfile.aspx?itemid=c0c3c70a-051d-11e8-9423-005056bc4d74

of user empowerment and involvement could possibly influence further development in this field positively.

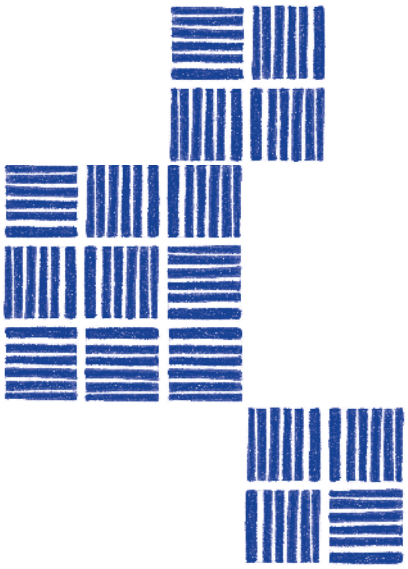
But despite these positive signals, the terminology, debate, research and education about and initiatives for social enterprises, social entrepreneurs and social innovation are not yet very high on the agenda.

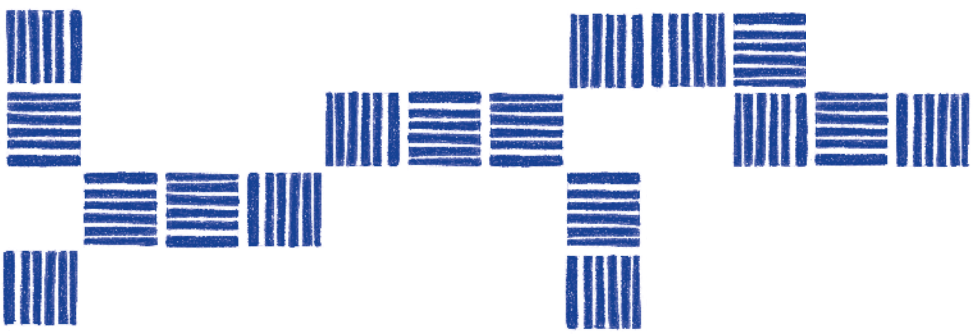
The economic crisis resulted in many challenges and paved the way for the development of WISEs. However, as mentioned in section 1 above, the public sector is still central in providing and financing welfare services, although non-profit organisations play a very significant role in this field. The emphasis on the privatisation of services and marketisation in the spirit of NPM will probably influence the field and result in more emphasis on hybrid organisations such as social enterprises. In recent years, research has shown that NPOs have become more professionalised and have to engage more in marketisation and competition for scarce resources, while relations between the state and the sector have become more formalised (Hrafnsdóttir and Kristmundsson 2010a, 2010b; Hrafnsdóttir and Kristmundsson 2016). Simultaneously, business organisations have become more interested in CSR.

It is clear that initiatives involving users have multiplied after the 2008 crisis, and there are now various work-integration activities for disabled people, long-term unemployed and people with mental illnesses. This trend could possibly pave the way for social enterprises becoming more central in the future in Icelandic political discourse.

The reason why social enterprise as a policy field has not developed so far in Iceland is probably linked to the smallness of the country, with regard to workforce and/or financial resources. It can also be related to the attributes of the Icelandic government: indeed, the Icelandic public administration has been characterised as being a small and reactive public administration, but with limited policy capability (Kristmundsson and Hrafnsdóttir 2012).

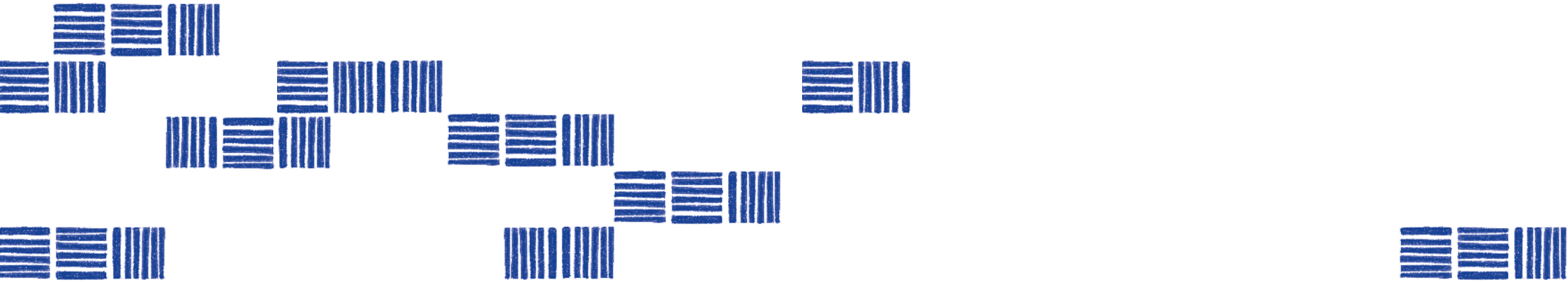
It remains to be seen how social enterprises in Iceland will develop. On the one hand, social enterprises could continue to be considered as part of the wider non-profit sector. On the other hand, social enterprises, social entrepreneurship and social innovation might be considered as a solution to the challenges of the welfare state in the country.





6

APPENDICES



Appendix 1. The EU operational definition of social enterprise

The following table represents an attempt to operationalise the definition of "social enterprises" based on the Social Business Initiative (SBI) promoted by the European Commission.

Main dimension	General definition	Relevant Indicators *(not exhaustive list)* (yes/no or range from low up to very high)	Initial minimum requirements (yes or no)	Examples/boundary cases comments
Entrepreneurial/ economic dimension	Social enterprises (SEs) are engaged in the carrying out of stable and continuous economic activities, and hence show the **typical characteristics that are shared by all enterprises**[12].	> Whether the organization is or is not incorporated (it is included in specific registers). > Whether the organization is or is not autonomous (it is controlled or not by public authorities or other for-profit/non-profits) and the degree of such autonomy (total or partial). > Whether members/owners contribute with risk capital (how much) and whether the enterprise relies on paid workers. > Whether there is an established procedure in case of SE bankruptcy. > Incidence of income generated by private demand, public contracting, and grants (incidence over total sources of income). > Whether and to what extent SEs contribute to delivering new products and/or services that are not delivered by any other provider. > Whether and to what extent SEs contribute to developing new processes for producing or delivering products and/or services.	SEs must be market-oriented (incidence of trading should be ideally 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).

(12) 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."**

Main dimension	**General definition**	**Relevant Indicators** *(not exhaustive list)* (yes/no or range from low up to very high)	**Initial minimum requirements** (yes or no)	**Examples/boundary cases comments**
Social dimension (social aim)	The social dimension is defined by the aim and/or products delivered. Aim: SEs pursue the explicit social aim of serving the community or a specific group of people that shares a specific need. "Social" shall be intended in a broad sense so as to include the provision of cultural, health, educational and environmental services. By promoting the general-interest, SEs overcome the traditional owner-orientation that typically distinguishes traditional cooperatives. Product: when not specifically aimed at facilitating social and work integration of disadvantaged people, SEs must deliver goods/services that have a social connotation.	> Whether the explicit social aim is defined at statutory/legal level or voluntarily by the SE's members. > Whether the product/ activity carried out by the SE is aimed at promoting the substantial recognition of rights enshrined in the national legislation/ constitutions. > Whether SEs' action has induced changes in legislation. > Whether the product delivered - while not contributing to fulfilling fundamental rights - contributes to improving societal wellbeing.	Primacy of social aim must be clearly established by national legislations, by the statutes of SEs or other relevant documents.	> 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. > In EU-15 countries (and especially in Italy, France and the UK) SEs have been traditionally 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. educational services up to water supply). > 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.

Main dimension	General definition	**Relevant Indicators** *(not exhaustive list)* (yes/no or range from low up to very high)	**Initial minimum requirements** (yes or no)	**Examples/boundary cases comments**
Inclusive governance-ownership dimension (social means)	To identify needs and involve the stakeholders concerned in designing adequate solutions, SEs require specific ownership structures and governance models that are meant to enhance at various extents the participation of stakeholders affected by the enterprise. SEs explicitly limit the distribution of profits and have an asset lock The non-profit distribution constraint is meant to ensure that the general-interest is safeguarded. The non-profit distribution constraint can be operationalized in different ways.	> Whether SEs are open to the participation and/or involvement of new stakeholders. > 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 -give voice to users and workers in special committees?). > Whether a multi-stakeholder ownership structure is imposed by law (e.g. France). > Whether SEs are required to adopt social accounting procedures by law or they do it in practice without being obliged to. > Degree of social embeddedness (awareness of the local population of the key societal role played by the SE versus isolation of the SE). > 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. > Whether the cap is regulated externally (by law or defined by a regulator) or it is defined by the SE by-laws. > Whether limitations to workers' and/or managers' remunerations are also imposed (avoid indirect distribution of profits).	SEs must ensure that the interests of relevant stake-holders are duly represented in the decision-making processes implemented.	> 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. > SE 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 if enhanced through inclusive governance) or public agency. > 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).

Appendix 2. Data availability report

Legal typology	Source of data (name, type & link)	Data provider (name & type)	Year of reference timeline of updates	N° of organizations	N° of workers	Turnover	Degree of reliability (1 to 4) and explanation
Associations and foundations	Register of enterprises Statistical business register	Statistics Iceland National Bureau of Statistics (NBS)	2012 - 2017 Yearly	√	N.A.	N.A.	3 - Estimations have been done with the assistance of the NBS and are based on legal forms, sectors and paid staff. Included entities are self-governing foundations (H1, H2, providing social services, ISA codes 88990, 94999), cooperatives (G2, ISA codes 41200, 68201), and associations (N1, ISA codes 88100, 88990, 94999) excluding sport organisations, professional organisations, labour unions, housing associations and political parties; as well as large entities such as nursing homes and homes for disabled people since they would not fulfil the EU operational definition of SE
Associations and foundations	Research project on associations and foundations in welfare sector Research project: surveys and case analysis covering all welfare associations and foundations that have paid staff	University of Iceland, School of Social Sciences Research institution	2012 N.A.	√	√	N.A.	2 - The database was defined making use of information on non-profit entities paying income tax from the National Register, the active web pages of associations and foundations and parliamentary proceedings relating to these type of organizations in the health and welfare sector. Many of these entities would fulfil the EU operational definition of SE, but not all

Legal typology	Source of data (name, type & link)	Data provider (name & type)	Year of reference timeline of updates	N° of organizations	N° of workers	Turnover	Degree of reliability (1 to 4) and explanation
Associations and foundations	Register of Enterprises Administrative register	Internal Revenue Directorate Government institution	2018 Continuous	√	N.A.	N.A.	2 - The register is reliable. However, it is not mandatory to register unless you have some paid staff or have received grants from government. Furthermore, you cannot register as a SE. Each entity can choose how they register (as an association, foundation or cooperative)
Self-governing foundations and funds	Official Register of self-governing foundations and funds Administrative register	The National Audit Office Government Institution	2016 Yearly	√	N.A.	N.A.	2/3 - The estimated number of SEs is based on going through the register and counting self-governing foundations and excluding funds. However, some of the self-governing organisations are probably on the borderline of being considered SEs according to the EU SE operational definition

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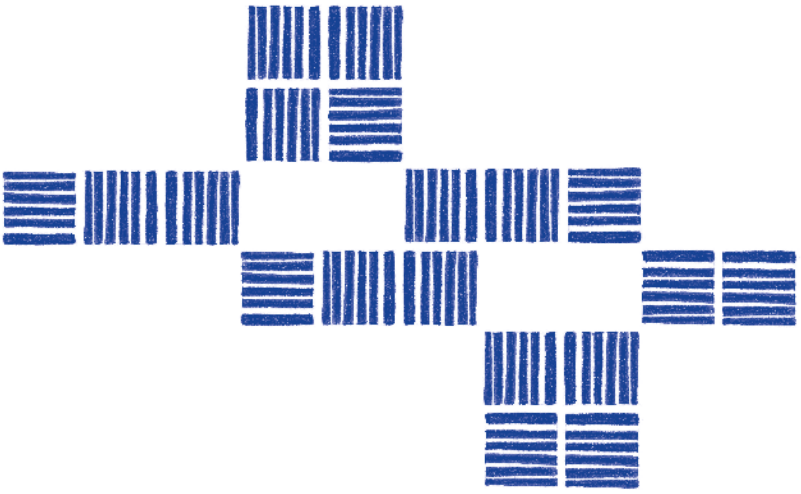

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