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Commission

SOCIAL ENTERPRISES
AND THEIR ECOSYSTEMS
IN EUROPE

Country report
PORTUGAL
Sílvia Ferreira

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

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This report provides an overview of the social enterprise landscape in Portugal based on available information as of December 2018. 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 ([Euricse](#)) and the EMES International Research Network ([EMES](#)). Sílvia Ferreira from the Center for Social Studies from the University of Coimbra was responsible for the revision of the report.

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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

- > **ANIMAR** Portuguese Association for Local Development (*Associação Portuguesa para o Desenvolvimento Local*)
- > **CAEES** Classification of the Activities of the Entities of the Social Economy (*Classificação das Atividades das Entidades da Economia Social*)
- > **CASES** António Sérgio Cooperative for the Social Economy (*Cooperativa António Sérgio para a Economia Social*)
- > **CERCI** Cooperative for Education and Rehabilitation of Disabled Children (*Cooperativa para a Educação e Reabilitação de Crianças com Deficiência*)
- > **CIRIEC** International Research and Information Centre on Public, Social and Cooperative Economy (*Centre International de Recherches et d'information sur l'économie Publique, Sociale et Coopérative*)
- > **CNES** National Council for the Social Economy (*Conselho Nacional para a Economia Social*)
- > **CNIS** National Confederation of Solidarity Institutions (*Confederação Nacional das Instituições de Solidariedade*)
- > **COMPETE** Operational Program Competitiveness and Internationalization (*Programa Operacional Competitividade e Internacionalização*)
- > **CONFECOOP** Portuguese Cooperative Confederation (*Confederação Cooperativa Portuguesa*)
- > **CRESAÇOR** Regional Cooperative of Solidarity Economy (*Cooperativa Regional de Economia Solidária*)
- > **DNGO** Development Non-Governmental Organisation
- > **EaSI** Employment and Social Innovation programme
- > **EC** European Commission
- > **EU** European Union
- > **FTE** Full-time equivalent
- > **FENACHE** National Federation of Affordable Housing Cooperatives (*Federação Nacional das Cooperativas de Habitação Económica*)
- > **GVA** Gross Value Added
- > **IAPMEI** Institute for Small and Medium-Sized Enterprises and Innovation (*Instituto de Apoio às Pequenas e Médias Empresas e à Inovação*)

- > **IEFP** Institute of Employment and Vocational Training (*Instituto do Emprego e Formação Profissional*)
- > **IES** Institute for Social Entrepreneurship (*Instituto de Empreendedorismo Social*)
- > **IIES** Initiatives of Entrepreneurship and Social Innovation (*Iniciativas de Inovação e Empreendedorismo Social*)
- > **INE** National Institute of Statistics (*Instituto Nacional de Estatística*)
- > **IPSS** Private Institution of Social Solidarity (*Instituição Particular de Solidariedade Social*)
- > **MSE** Social Employment Market (*Mercado Social de Emprego*)
- > **MIES** Map of Innovation and Social Entrepreneurship (*Mapa da Inovação e do Empreendedorismo Social*)
- > **NEET** Not in Education, Employment or Training
- > **DNGO** Development Non-Governmental Organisation
- > **NPO** Non-Profit Organisation
- > **PADES** Support Program for the Development of Social Economy (*Programa de Apoio ao Desenvolvimento da Economia Social*)
- > **PROCOOP** Celebration or Enlargement Program of Cooperation Agreements for Development of Social Responses (*Programa de Celebração ou Alargamento de Acordos de Cooperação para o Desenvolvimento de Respostas Sociais*)
- > **QUANGO** Quasi-Autonomous Non-Governmental Organisation
- > **PE** Paid Employment
- > **POISE** Social Inclusion and Employment Operational Program (*Programa Operacional Inclusão Social e Emprego*)
- > **SA** Satellite Account of the Social Economy
- > **SBI** Social Business Initiative
- > **SEFORIS** Social Enterprise as Force for more Inclusive and Innovative Societies
- > **SEO** Social Economy Organisation
- > **SME** Small and Medium-sized Enterprises
- > **VAT** Value Added Tax
- > **WISE** Work Integration Social Enterprise

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Executive summary

Background

Until recently, the term “social enterprise” was almost absent in political and practitioners’ discourses. The term first emerged in international research projects, though it did not gain traction on the ground.

The concept of social enterprise finds use in five different traditions. Social solidarity cooperatives associated to the cooperative/social economy tradition, social insertion enterprises mostly created and sustained by employment promotion public policies in partnership with non-profit organisations (NPOs), and a charitable tradition in the statute of Private Institutions of Social Solidarity (*Instituição Particular de Solidariedade Social or IPSSs*) and similar NPOs operating in welfare, and social solidarity enterprises, related to a voluntary engagement tradition. And yet, these organisations rarely describe themselves as social enterprises.

In a more recent development, the term social enterprise came to the fore in policy documents and practitioners’ discourses with the influence of European Union (EU) institutions and frameworks. Here, the concept of social enterprise assumes the meaning of a commercial enterprise with social aims or a mix of social economy organisations (SEOs) and commercial enterprises.

One better understands the very different meanings of social enterprise when relating it with the neighbourhood concepts of social economy, solidarity economy, social entrepreneurship and social innovation.

Indeed, the main obstacle for the further development of social enterprises in Portugal is the lack of debate, clarification and some sort of agreement about its meanings.

Concept, legal evolution and fiscal framework

Indicators of the three dimensions of the EU social enterprise operational definition can be found in the SEOs, formalized in documents and statutes such as the Framework Law of the Social Economy, the statute of collective persons of public utility, the statute of Private Institutions of Social Solidarity (IPSS) and in the legal forms of mercy houses, mutual associations, foundations, philanthropic associations and cooperatives.

Not all associations will fall under the operational definition, mostly because of the weak economic dimension. Additionally, cooperatives function as member organisations and do not necessarily prioritise broader public interest, although some provisions do regard their orientation to the interests of the community. A distinction by branches continues

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to complicate the field, as some new social enterprises start to emerge in branches such as agriculture and consumption.

Commercial enterprises in the form of limited liability companies or joint-stock companies may be set up and owned by SEO or by individuals and other commercial enterprises. While the former qualify as SEO, no consensus exists on the latter, even if the mentioned enterprises combine social and for-profit aims. When compared with the social enterprise EU operational definition it is difficult to know whether there is a match due to the lack of a specific legal framework, particularly for the social and governance dimensions. For now, including the social aim criterion in a company's governance documents (such as its statutes), provides the best solution.

Since the Framework Law (Law 30/2013, 08/05), changes have taken place in the frameworks of IPSSs, cooperatives, mutual societies and others, both to adapt to the Framework Law and to tackle previously identified issues.

The special situation of social enterprises in fiscal terms depends on the different statutes and organisational forms. While many enjoy business tax exemptions and value added tax (VAT) exemptions due to their not-for-profit nature or activities of public interest, benefits related to donations mostly tie in with their fields of activities. Most employment promotion benefits do not specifically apply to social enterprises.

Mapping

Alongside the lack of legal definitions of social enterprises and an incipient public debate, a significant lack of data prohibits accurate estimates of their impact. The only single categories studied as social enterprises include social cooperatives, social insertion enterprises and IPSSs. **The Satellite Account of the Social Economy allows to estimate 7,938 social enterprises, employing 145,734 FTE workers.**

The fields of activity of social enterprises include sheltered employment and social workshops, provision of social services and healthcare, social assistance and care services of general interest, education, particularly from pre-school to secondary education, local and community development, such as environmental protection and promotion, responsible resource-use, fair trade, etc. Target groups encompass unemployed people, NEET, persons with disabilities, children and young people, elderly, victims of domestic violence, former convicts, youth at risk, people in poverty and social exclusion, families, communities and territories.

Social enterprises, namely IPSS and social solidarity cooperatives, play a central role in providing social services through cooperation with public administration. Ever since the public programme of insertion enterprises ended, the sector of work integration social enterprises (WISEs) remains understudied and unstructured. One relatively well-structured sub-sector, local development organisations and initiatives, does not occupy

a specific statute but still receives acknowledgement as a sub-sector of the social economy. An increasing number of organisations combines environmental and natural resources concerns with alternative ways to organising the economy.

When looking at the average number of workers, some organisations tend to run very large, as shows the cases of mercy houses (91.2 workers per organisation in average) and mutual associations (44.1 workers per organisation), while foundations tend to run at a medium-size (18.8 workers per organisation).

The types of jobs in the social welfare fields of activity tend to be permanent. In several studies about working conditions in welfare SEOs, many social enterprises under IPSS statute point out that workers' autonomy, diversity of tasks and participation in decision-making contribute significantly to work satisfaction and help minimise the discouraging effect of lower wages.

Ecosystem

Support measures specific to social enterprises and SEOs show little significance compared to support for all other enterprises. Nevertheless, social enterprises may have access to many of these measures, namely in those supporting small and medium-sized enterprises (SME), entrepreneurship and innovation.

European funds have played a central role for developing social enterprises and SEOs in Portugal, and have become even more important due to the country's financial struggle and the public budget crisis beginning in 2010. Not surprisingly, then, social enterprises have become more relevant due to EU frameworks in funding, public procurement and strategies.

The ecosystem for social enterprises appears rich and diverse, and enjoys increasing relevance for different social enterprise traditions, such as: government and sector initiatives and bodies, and an increasing number of initiatives for education and training including higher education institutions, consultants, incubators and learning and exchange platforms. The funding of social enterprises continues to change and become more diverse, with the prominence of philanthropic foundations and the development of social finance. However, whether these can compensate for the increasing difficulties of the public budget remains unclear.

Perspectives

The debates taking place at the national level are shaped by the different ideas of social enterprise. Stakeholders consulted for the purpose of this study shared that social enterprises do not generally receive acknowledgement or legal recognition, although several disagreed with the need for a social enterprise statute or legal form in the first place, even though it may become inevitable.

Social enterprise means different things for different stakeholders, depending on different roots and drivers. A relevant part of this debate rests on the possibility that commercial enterprises may receive consideration as social enterprises or could get included in the social economy.

Stakeholders from different fields identified the roots of difficulty when establishing different models of social enterprises in Portuguese history: in the tight links between some SEO and the welfare state, in the Southern European social economy matrix and in national specificities. However, stakeholders do agree that social enterprises and social economy will play an increasingly relevant role in social welfare.




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BACKGROUND: SOCIAL ENTERPRISE ROOTS AND DRIVERS

This section identifies the presence social enterprise concepts in Portugal, illustrating how it only recently overcame the very limited academic space where it appeared. In facing the absence of an official or consensual definition, it takes on very different meanings, which are better understood when associated with the neighbourhood concepts of social economy, solidarity economy, social entrepreneurship and social innovation.

It also became apparent that different drivers within different traditions have thus developed different types of social enterprises. This includes varying traditions such as: the social economy tradition in the development of social cooperatives; voluntary engagement in the development of social solidarity social enterprises; philanthropy in the development of social services NPOs such as IPSSs; public policy-driven WISEs; and the most recent business background tradition inspired both by the welfare state retrenchment and the national interpretation of EU frameworks.

The term social enterprise exists mainly in the support measures of the Portugal 2020 Strategy, supported by the European Structural and Investment Funds, and many expect this field to become increasingly relevant.



1.1. Social enterprise roots and drivers

Although the term “social enterprise” had remained nearly absent in political and practitioners’ discourses, the field of *de facto* social enterprises goes back much earlier. Mutual societies and *misericórdias* date back to the 14th and 15th centuries, and the emergence of the industrial society led to sprouting movements of mutual associations and cooperatives for workers’ protection in the 19th century. The dictatorial control from 1933-1974 halted and repressed the further development of these movements and organisations. With the democratic revolution in 1974 and the return of freedom of association, cooperative and associative movements experienced a boom. In a context where deep social needs became visible and citizens’ mobilisation no longer faced limits, an explosion of old and new social movements and civil society organisations followed. This also coincided with the period of setting up the modern welfare state in Portugal.

During this period, the first social enterprises (described as such) emerged. For example, CERCIs—Cooperatives for the Education and Rehabilitation of Disabled Children, form cooperatives in the education branch set up by parents, professionals and local authorities, mostly between 1975 and 1980.

The concept of social enterprise applied to CERCIs within the context of the European project “EMES - The Emergence of Social Enterprise in Europe” (Perista 2001). CERCIs responded to the lack of education, training and work inclusion strategies for people with mental disabilities, both by public and traditional NPOs. CERCIs perceived the role of people with disabilities as active participants of society trying to break existing prejudice, and, therefore, they fit well with the European movement of developing social enterprises at the time.

In 1996, a new cooperative branch, **social solidarity cooperatives**, took form through the Cooperative Code¹ and included the existing 52 CERCIs. This new branch allowed the establishment of social solidarity cooperatives in other fields. The number of social solidarity cooperatives has continued growing. A report on the cooperative sector in 2010 counted 209 social solidarity cooperatives.²

(1) Portugal was the second country in the world to have a cooperative law on July 2, 1867. Two decades later cooperatives were integrated, in an autonomous way, in the “Commercial Code”, that would remain in place for nearly a hundred years, until 1981 when they became legally autonomous in a Cooperative Code.

(2) <https://www.cases.pt/ano2010/> (Accessed in January 2019).

Illustration 1. CERCIS Lisboa

CERCIS Lisboa - Cooperative of Education and Rehabilitation of Citizens with Disabilities in Lisbon (*Cooperativa de Educação e Reabilitação de Cidadãos com Incapacidades de Lisboa*) was founded in 1975 and was the first CERCIS of its kind to promote social inclusion of youth and adults with disabilities (mostly intellectual). Its mission aims to: contribute to the quality of life of people with intellectual and multiple disabilities through prevention, raise awareness, develop skills and capacities, promote a community oriented by optimism, motivation and non-discrimination.

Its services include interventions in partnership with schools to support children and youth with special education needs; occupational activity centres for youth and adults with disability; professional training centres providing training, vocational orientation and support to labour market integration of people with mental disability, residential home and legal and social counselling and support. It has received certification in the quality management system EQUASS (Quality in Social Services)

CERCIS Lisboa serves 900 people and has a financial structure composed by public funding, membership fees and donations. In 2014, 72.2% of its resources derived from subsidies in the ambit of cooperation agreements, 17.7% from sales and services, including user fees and some sales of products of the occupational activities centres. In 2015 it had 122 workers, 44% of which acted as specialised professionals.

This CERCIS, the first of the social cooperative movement, surfaced in the mid 1970s. Its emergence involved diverse social actors as such families, professionals, government, schools, health institutions etc. Within this movement, discussion has addressed the self-representation of people with disabilities and strategies for their participation in cooperative governance. CERCIS Lisboa has a Clients participation group and is committed to involve clients, workers and members in its processes, namely with an Ideas Bank.

<http://www.cercislisboa.org.pt>

Work integration social enterprises (WISE) were identified in **Social Insertion Enterprises** and in **sheltered employment workshops**. They were government-led programmes created in the context of the policy “Social Employment Market (*Mercado Social de Emprego* or MSE)³” to promote work integration of disadvantaged groups. MSE supported social insertion enterprises with subsidies for their start-up and functioning,

(3) MSE was set up in 1996 in a context of an orientation to active labour market policies aiming at developing social and professional skills for the inclusion of disadvantaged persons that cannot find solutions in the regular labour market, often through transitional activities. Operating within a perspective of shared governance, typical of this political period, MSE was managed by a commission composed of representatives of the government and social economy organisations.

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plus 80% of workers' wages during a given period, after which employees supposedly integrated into the regular labour market. In the ELEXIES⁴ study, they were matched against EMES criteria for social enterprises (Perista and Nogueira 2002, 2004).

Many considered the policy very positive, though in need of corrections (Amaro 2006), and yet, WISE lost their high profile in Portugal as there was no further policy development or effective society advocacy and the policy finally terminated in 2015. Current employment promotion programmes aimed to assist disadvantaged groups through subsidies and exemptions to employers target all enterprises.

Two exceptions exist where support to social insertion enterprises continued: the ultra-peripheral regions of Madeira and Azores. Here, public policies and bodies as well as SEOs promote the development of WISE to tackle unemployment of disadvantaged groups. Particularly in Azores, a network of social insertion enterprises receives support from Regional Cooperative of Solidarity Economy (*Cooperativa Regional de Economia Solidária* or CRESAÇOR). In a study of 17 WISE in Azores carried out in 2010, they are defined as “non-profit legal entities and structures of non-profit legal persons aiming at socio-vocational reinsertion of long-term unemployed or people in situation of disadvantage vis-à-vis the labour market” (ACEESA 2010: 6).

Another international project identified a different group of organisations as social enterprises, through the “Study on Practices and Policies in the Social Enterprise Sector in Europe”, funded by the European Commission. Heckl and colleagues (2007) identified social enterprises as not-for-profit organisations with social, solidarity or local development purposes, and the concept of **Private Social Solidarity Institutions** (IPSSs) as the most analogous concept to social enterprise.

IPSS, a statute existing since 1979, gets awarded by the social welfare administration for organisations which pursue a set of defined activities that normally form part of state responsibility for welfare. IPSSs play a core position as providers of social services in the social protection system and the transfer of the residual public social services to IPSS management is an ongoing process.

Another meaning of social enterprise came to the fore more recently in policy documents and practitioners' discourses that expand to organisations beyond the limits of the traditional social economy organisational forms. Here, the concept of social enterprise assumes the meaning of a commercial enterprise with social aims or a mix of **social economy organisations and commercial enterprises**. The national study within the international research project “SEFORIS - Social Enterprise as Force for more Inclusive and Innovative Societies” identified the following as social enterprises, in the 111 studied cases: IPSS, associations, cooperatives, foundations, single-member limited companies, public limited companies and sole traders (Ávila 2016). Within this framework, social

(4) *L'entreprise sociale: lutte contre le exclusion par l'insertion économique et sociale.*

enterprises often arise as the enterprises created by social entrepreneurs or/and those that develop social innovations.

The influence of European Union institutions and frameworks, such as the Social Business Initiative (2011), the European Social Entrepreneurship Funds (2011), the EU regulation on the European Social Fund (2013) or the EU Directives on Public Procurement (2014), contributes to the term's visibility and new interpretations. Thus, explicit references to the term social enterprises now exist side by side with other terms, like social and solidarity economy, social entrepreneurship and social innovation in the thematic and regional operational plans of the EU funding frameworks.

In the adaptation to the European Commission (EC) changes in public procurement, social enterprises entered the text of the Code of Public Contracts (Decree-Law 111-B/2017, 31/08), and are defined as: “those that are dedicated to the production of goods and services with a strong component of social entrepreneurship or social innovation, and promoting integration in the labour market, through the development of research, innovation and social development programmes in the areas of services predicted” (translated by authors).⁵

In the development of a so-called “social investment ecosystem,” enhanced by EU funded programmes such as “Portugal - Social Innovation” as well as the emergence of new organisations and intermediaries promoting the role of social businesses and investors in social finance in addressing social and societal problems, the concept of social enterprise assumes the meaning of a commercial enterprise with social aims or a mix of SEOs and commercial enterprises.

A far-from unanimous context surrounds the concept of social enterprise, and the lack of clarification poses a key obstacle for the development of social enterprises in Portugal. The tone has been influenced by the discussion that took place during the debates on the Framework Law of the Social Economy. The draft proposal included a provision on creating a specific legal framework for social enterprises and a definition: “social enterprises as entities carrying on a commercial activity with mostly social ends and whose income is essentially mobilised to the development of those ends or reinvested in the community.” Representatives and experts from the social economy contested this, speculating that this could provide an opening for for-profit businesses to gain access inside the social economy or as social enterprises. Recently, the National Council for the Social Economy (*Conselho Nacional para a Economia Social* or CNES)

(5) To have access to reserved contracts for the provision of certain health, social, education and cultural services, social enterprises and other organisations need to comply with the following features, among others: to be oriented to the public benefit; to reinvest profits in the objectives of the organisation or distribute profits with consideration of its participatory nature; to include workers in the ownership of the organisation or to have a management structure based in participatory principles involving workers, users or stakeholders.

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organised an event that gathered a wide number of SEOs. The participants released a statement: “the entities of the social economy do not identify under the concept of ‘social enterprise’ based on the form of commercial society, and recommend that the definition and clarification of that concept is made in the framework of the Framework Law of the Social Economy.”⁶

Previously, **the report identified the concept of social enterprise in four different traditions:** 1) social solidarity cooperatives associated to the cooperative/social economy tradition; 2) social insertion enterprises promoting employment, mostly created and sustained through public policies and NPOs; 3) IPSSs charitable traditions and similar NPOs in welfare and business backgrounds emphasising social entrepreneurship; and 4) social innovation addressing social and societal problems through social businesses.

Other concepts

To understand the different meanings and traditions of social enterprises in Portugal one must consider other concepts, traditions and the fragmentation of the third sector until recently in Portugal (Demoustier 2000). **The concept of social economy became the unifying term for the field in 2009, backed by new bodies providing a unifying voice.**

The global economic crisis that started in 2008 may have contributed to these changes along with a shift towards a greater emphasis in the economy due to the financial pressure over social protection systems (Ferreira 2015). The first instance established a new overarching partnership body including the government and the main umbrella organisations António Sérgio Cooperative for the Social Economy (*Cooperativa António Sérgio para a Economia Social* or CASES) to promote the strengthening of the social economy sector.⁷

In 2010, within the broader strategy to promote employment and re-launch the economy, the government launched the first programme specially dedicated to the social economy—*PADES-Programa de Apoio ao Desenvolvimento da Economia Social* (Resolution of the Council of Ministers 16/2010)—acknowledging its role in fighting social exclusion and inequality and contributing to local development. It also created CNES as a consultative body for policies related to the promotion of the social economy.

The following government continued to give relevance to the social economy. It provided a relevant space in the 2011 Social Emergency Programme, both as beneficiary of state

(6) Congresso Nacional de Economia Social, 2017, Recomendações (<https://www.cases.pt/wp-content/uploads/2017/12/Congresso-Nacional-da-Economia-Social-2017-Recomenda%C3%A7%C3%B5es.pdf>) (Assessed in September 2018).

(7) This body evolved from a public institute dedicated to promoting cooperatives and inherited its functions, along the new broader ones for the whole social economy.

support to the sustainability of social welfare organisations and as a facilitator of social policy addressing the consequences of the crisis and the austerity measures. It also proposed a Framework Law on the Social Economy which was approved unanimously in the Parliament and came into force in 2013. The Framework Law defines SEOs as: cooperatives, mutual associations, foundations, private institutions of social solidarity, altruistic associations in culture, leisure, sports and local development, entities of the community and self-management sectors, and other organisations respecting the principles of the social economy. **These principles correspond to several aspects of the EU operational definition of social enterprise.**

- > In the **economic dimension**, the principle of: autonomous and independent management from public authorities and any other entities external to the social economy;
- > In the **social dimension**: primacy of people and social objectives; conciliation between the members, users or beneficiaries' interest and the general interest; respect for the values of solidarity, equality, non-discrimination, social cohesion, justice, equity, transparency, shares individual and social responsibility and subsidiarity;
- > In the **inclusive governance-ownership dimension**: free and voluntary membership and participation; democratic control by the members; allocation of surpluses to the ends of social economy entities according to the general interest, with respect for the specificity of surpluses distribution according to the nature and fundament of each social economy entity.

Besides establishing the limits of the social economy regarding the types of organisations and their principles, the Law includes the possibility that other types of organisations may qualify as part of the social economy if they comply with the principles and register in a database of SEOs that the Government should set up and keep updated. This could eventually include social enterprises that do not follow the established social economy legal forms.

Other concepts also took form, all of which now qualify as ways of contributing to overcoming current crises, such as social entrepreneurship, social innovation and solidarity economy.

The **concept of social innovation** arrived earlier, particularly with the EQUAL European Initiative, which brought new concepts, practices and methodologies and ways of working in partnership to organisations of all sectors, and often contextualised in organisations and policies in local development and the fight against social exclusion.

More recently, new streams of funding from philanthropic foundations with emphasis on social innovation supported the emergence of innovative projects, whereas

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the European pilot project Portugal-Social Innovation, set up in 2014, intended to support the scaling up of social innovation. With government, private foundations and consultants' activism, new concepts such as social impact, payment by results and social investment have come to the fore. Social enterprises are often seen as socially innovative, both for their legal form or mode of operation and because they develop new solutions for social and societal problems.

Another recent concept, sometimes connected to that of social innovation, is **social entrepreneurship**. Social entrepreneurs may establish social enterprises in their search for organisational sustainability and efficiency or in developing innovative solutions. In a research project "Social Entrepreneurship in Portugal", funded by the Foundation for Science and Technology, social entrepreneurship meant the practices of SEOs, thus denoting a collective entrepreneurship. The study identified the relevance of ideas of economic sustainability and efficiency through market practices and solutions, as well as ideas of innovative solutions to social problems (Parente *et al.* 2012).

Another study, the project "Map of Entrepreneurship and Social Innovation" (*Mapa de Inovação e Empreendedorismo Social*, or MIES), carried out by *Instituto de Empreendedorismo Social* (IES) and *Instituto Padre António Vieira*, funded by the operational programme COMPETE (Operational Program Competitiveness and Internationalisation), emphasised aspects of social innovation and businesses practices by entrepreneurs in organisations from the social economy, the public sector and commercial enterprises (IES/IPAV 2015).

Illustration 2. ColorADD

Miguel Neiva established ColorADD in 2010. As a designer, he conceived an inclusive and non-discriminative code to help colour-blind people identify colours. The ColorADD code serves as a pioneer reference in colour-blind inclusiveness and 300 companies and entities have since implicated it, including schools, hospitals, transportation and private companies. Other countries such as USA, Brazil, Germany, Japan, France, England and the Netherlands also put it to use. Considering that some clients export their products, the code serves an estimated 130 countries.

ColorADD has a double nature, for-profit and non-profit. The licence gets sold to companies and institutions with prices varying according to the company size, while it provides schools and universities pro-bono. Two legal forms sustain the project: ColorADD.Social is a non-profit association in charge of disseminating the code to the school community for free and ColorADD - Miguel Neiva e Associados, Lda is a company limited by guarantee that commercializes the code, generating the resources

for ColorADD.Social. ColorADD and ColorADD.Social have 10 employees and a turnover of 100.000 EUR. They have 150 clients in ColorAdd, Ltd and another 150 clients in ColorADD.Social.

ColorADD certifies as a B-Corporation and Miguel Neiva became an Ashoka Fellow in 2013.

This case illustrates realities in the social business model insofar that it provides a social innovation initiated by a social entrepreneur, operating with a double bottom line and a double legal form—a for-profit enterprise and a non-profit association.

Sources: <http://www.coloradd.net> and email exchange with Miguel Neiva.

Another relevant and less-institutionalised concept is that of solidarity economy. It also gained relevance in recent years due to the crisis and because it offered critique to the organisation of the current market economy which catalysed the crisis. The concept emphasises self-management, solidarity and cooperation in economic and social reproduction activities. This concept gained relevance thanks to the mobilisation of scholars and students, grassroots associations and networks with international connections. Although unsuccessful, supporters attempted to include it in the Framework Law of the Social Economy.

The local development movement, which one can associate with a tradition of voluntary and civic engagement, often uses the concept of solidarity economy to describe its local economic initiatives, emphasising the participatory nature in terms of the involvement of the local communities in local sustainable development, citizens participation and the cooperation between civil society organisations. Social enterprises within this tradition tend to emphasise the participatory dimension.

2


CONCEPT, LEGAL EVOLUTION AND FISCAL FRAMEWORK

This section analysed several statutes and legal forms of organisations against the EU operational definition: mercy houses, mutual associations, foundations, philanthropic associations with IPSS statute, social cooperatives and commercial enterprises. Grey areas were identified in associations without the IPSS statute, cooperatives, commercial enterprises and work integration social enterprises. The social enterprise criteria match well across organisations with the IPSSs statute, social solidarity cooperatives and foundations.

Since the Framework Law, some changes have taken place in the frameworks of IPSSs, cooperatives, mutual associations and others, both to adapt to the Framework Law and to tackle previously identified issues. This is still going on. Notably, IPSSs can conceivably carry out instrumental commercial activities and some cooperatives (like social cooperatives) with more than 20 members now allow the status of member investor and a distribution of votes according to capital. The framework of cooperation and contractual arrangements between the state and NPOs also continues to change.

Finally, this section identified fiscal exemptions and benefits for the different statutes and legal forms, which acknowledge the role and public interest of these organisations and activities. Interestingly, most employment promotion benefits, which could specifically target WISE for instance, get applied to all enterprises.

The analysis has shown that in Portugal a significant part of the SEOs meets the operational social enterprise definition.



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 combine in different ways, and their balance matters when identifying the boundaries of the social enterprise.

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 during the current phase of the study (see appendix a for further details).

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

No legal form applies to social enterprises in Portugal but some legal status and frameworks do apply to the legal forms of associations, mutual associations, mercy houses, foundations and equivalent, cooperatives and others which align closely to the operational definition of social enterprises. This is the case of SEOs described under the Social Economy Framework Law, Private Institutions of Social Solidarity and collective persons of public utility.

The IPSS statute derives from the evolution of the prominent role these organisations played in coordinating and delivering welfare during the dictatorship. In the democratic period after 1974, in the efforts to set up a modern and universal welfare state, they absorbed into the system of social protection. They gained autonomy, strengthened their private character and developed a cooperative relationship with public administration

while maintaining a relevant role in the provision of welfare services. IPSSs may occupy the following organisational forms: associations of social solidarity, mutual or mutual aid associations, foundations of social solidarity, mercy houses and, since the last change, social cooperatives. The statute also includes Catholic Church Parish Centres (*centros sociais paroquiais*) and Caritas. The current version of the IPSS statute describes them as: “collective persons, not-for-profit, created exclusively by private initiative, with the purpose of giving organised expression to the moral duty of justice and solidarity, contributing to update the social rights of citizens, as long as they are not administered by the state or other public body” (Decree-Law 172-A/2014, 14/11 and Law 76/2015, 28/07).

The number of IPSSs has continued increasing. While 1,137 existed in 1979 (Teixeira, 1996), recently 4,874 operate in 2016 (GEP/MTSSS, 2016). They recently played a central role in the strategies to minimise the social effects of the crisis started in 2008. In the context of welfare retrenchment, they increased their role in welfare and continued the trend for having delegated state functions and services, while the idea that they need to find resources and efficiency in the market through social entrepreneurship became popular.

Mercy houses (*Irmandades da Misericórdia ou Santas Casas da Misericórdia*)

Mercy houses identify as associations constituted under canonical legal framework to satisfy social needs and practice Catholic traditions informed by the Christian doctrine and moral. Automatically they qualify for the statute of IPSS and, as such, receive consideration as SEOs in the Framework Law. They are also regulated by their main governing document (*Compromisso*) between their umbrella organisation—*União das Misericórdias Portuguesas*—and the Catholic Church body *Conferência Episcopal Portuguesa*.

The IPSS statute regulates most of their social, economic and governance features but it does not apply for religious and other activities. They organise with their own democratic bodies, which includes the general assembly of the “brothers”, the administrative table and the fiscal council. The *provedor* chairs the administrative table.

Mercy houses meet the social enterprise criteria, particularly due to their status of IPSS, which defines their social aims and orientation to the public interest as well as the limits to the distribution of profits. In terms of their social dimension, as IPSS, technically contribute to actualise social citizenship rights, which form part of social welfare.

The IPSS statute regulates other aspects of theirs, such as: non-profit ends or limits on for-profit activities’ surplus distribution to the non-profit objectives; asset transfer to similar organisations in case of dissolution—preferably mercy houses; limitations regarding the board members’ possible payment and amounts allowed; limitations to the percentage of workers in governance bodies and term limits for the president of

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the board—*provedor*; prioritising the interests of beneficiaries, institutions, members or founders; sending annual accounts and budgets to the responsible ministry through an electronic platform and publishing the annual accounts in their webpage.

They operate mainly in social action and social security (365), health and well-being (11) and 12 of them define as parishes and congregations. Only one mercy house carrying out financial activities, a savings bank, does not have IPSS status (INE/CASES, 2016). In 2002, mercy houses owned 36 social pharmacies.⁸

Mercy houses rely mostly on sales and user fees income, both in the social services and in health fields where they cooperate with the state.

Mutual associations (*Associações Mutualistas*)

Mutual associations are private institutions of social solidarity with an unlimited number of associates, undefined capital and indefinite duration that practice mutual aid in their personal and familial interests mainly through their members' contributions. They meet the social enterprise operational criteria for two reasons. Almost all have IPSS status, meaning that they are acknowledged with this special status as contributing to actualise social citizenship rights.

The Code of Mutual Associations (Decree-Law 190/2015 of 10 September 2015) structures how they function: it determines their democratic governance (one person one vote) and determines how to reinvest their income in the benefits, and mandate their registry in the General Directorate of Social Security (*Direção-Geral da Segurança Social*). The general meeting, board of directors and supervisory board carry out the governance of mutual associations.

In case of dissolution, the remaining assets are distributed to the members or beneficiaries by the amounts required to cover acquired rights and then allocated to a mutual solidarity fund, under management by the union representing the mutual associations.

Although they function as members' associations, they were set up to address challenges related to social protection and health access. Most activities develop in the realm of social action and social security (86), including the main activity of social insurance benefits, and social services to children and the elderly. Health and well-being activities (4) include hospitals and clinics. Twenty mutual associations operate with financial activities, 16 of which have IPSS status. In 2002, mutual associations owned 14 social pharmacies.⁹

(8) <http://debates.parlamento.pt/catalogo/r3/dar/s2a/09/01/019/2002-07-06?sft=true#p592>
(Accessed September 2018)

(9) <http://debates.parlamento.pt/catalogo/r3/dar/s2a/09/01/019/2002-07-06?sft=true#p592>
(Accessed in September 2018)

The large part of mutual association's income derives from sales, membership fees and property income (INE/CASES, 2013).

Illustration 3. *União Mutualista Nossa Senhora da Conceição (UMNSC)*

Mutual Union Nossa Senhora da Conceição is a mutual association with the IPSS status, established in 1872 in the city of Montijo to provide health services to the local population due to the lack of provision at the time.

Since then it increased its activities to specific social groups such as children (nursery, pre-school, elementary school), elderly (domiciliary support, day centre, emergency centre, and home), persons in situation of vulnerability (a shelter home for women and children victims of domestic violence, community centre for socially vulnerable families).

It maintains a health clinic with 20 specialties offered to members and the general public, a continuous care centre for people in dependent situations and a social pharmacy. Members have access to the health services at prices lower than the general public.

It holds conventions with the ministry of health to provide health services to the population, cooperation agreements with the social security administration, protocols with the Ministry of education and protocols with local businesses to allow reduced prices of their services to the members.

Its annual turnover in 2017 reached 7 million EUR, with 60% of its income deriving from sales and fees. It has 260 employees and 222 members.

This mutual association provides a reference among the mutual sector for its size and capacity and, as many IPSS it experiences challenges related to the increasing competition from private providers in health, reduced income from users due to the crisis and the lack of an adequate framework for social pharmacies.

<http://umutualista.pt>

Foundations

Foundations consist of legal persons with a non-profitable aim that have sufficient assets and irrevocable drive in pursuing a social interest. All foundations must pursue an explicit and primary social aim and should not distribute their profits. The process of setting up a private foundation is subject to public scrutiny, exercised

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by the Prime Minister or the person whom the Prime Minister delegates. To receive recognition as a foundation, they must have a purpose of social interest and sufficient assets to pursue the intended purpose.

The Satellite Account identifies 578 foundations, 220 of which are IPSSs. They mostly participate in social action and social security, health and wellbeing, education and research. A sub-group within the foundations with the IPSS statute include church organisations (*Centros Sociais Paroquiais and Caritas*), which are considered equivalent to social solidarity foundations.

Foundations work with the following mandatory bodies: a board of directors, a directing or executive body and a supervisory body, and may also have a board of founders or trustees. Furthermore, they face multiple distributional constraints, such as: limitations to their economic activities, primacy of their social purposes, and asset locks in terms of distributing any remaining assets to another similar organisation in case of termination. They also have mandatory rules for transparency and publicity, such as the publication and the submission of their annual reports and accounts to the Presidency of the Council of Ministers.

According to the Satellite Account of 2010 (INE/CASES 2013), they participate in several areas, such as development, housing and environment, education and research, health and wellbeing, social action, culture, sports and recreation. They derive most of their income from property (48.1%) and from sales and fees (42.1%). The resources in different fields experience very heterogeneous distribution but they derive most of their income from sales and fees (education health and culture) or from property and income (social action and social security).

Philanthropic associations

Associations present a large and heterogeneous reality, making it more difficult to easily match the social enterprise operational definition based on legal frameworks.

The Social Economy Framework Law defines as SEOs within its range both the associations with the IPSS statute and altruistic associations in the fields of culture, recreation and sports, and social development.

Currently, 3,520 associations operate with the IPSS statute (INE/CASES, 2016). Those under IPSS classification tend to carry out their social dimensions through contributing to actualising social citizenship rights. The IPSS statute regulates some of their aspects such as: non-profit ends or limitation of for-profit activities surplus distribution to the non-profit objectives; the transfer of its assets to similar organisations in case of dissolution; limitations regarding possible board member payment and the amount allowable; limitations on the percentage of workers in governance bodies, term limits

for the president of the board; prioritising the interests of beneficiaries compared to those of the institution, their members or founders; sending annual accounts and budgets to the responsible ministry through an electronic platform and publishing the annual accounts on their webpage.

Those that fall in the Social Economy Framework Law would meet several operational definition criteria related to the principles of the social economy.

Whereas many associations pursue activities in the same fields as those with IPSS status, many doubt that the same case would apply for many culture, sports and leisure associations regarding the economic criteria.

According to the data from the Satellite Account of 2013, the average number of workers in associations measures at 2.5 and, in the field of culture, sports and associations, the average number of workers of SEOs falls to 0,4. Thus, although culture, sports and leisure associations are the most numerous in the social economy, they represent a low number of workers as they function through membership and voluntary management with limited economic activity. These associations with no staff do not meet the economic criteria, despite meeting the social orientation and the democratic governance criteria.

Cooperatives

Cooperatives present autonomous associations of freely organised persons of variable composition and capital. **Through cooperation and mutual assistance, they aim to satisfy economic, social or cultural needs and aspirations of the members rather than prioritise profit.**

Cooperatives must register in CASES, which certifies that cooperatives comply with the Cooperative Code, including the respect for the International Cooperative Alliance principles transposed to the Code. CASES issues an annual credential attesting the legal establishment and proper functioning of the cooperative.

The governing bodies include the general assembly, the board of directors and the supervisory board. Until 2015, cooperatives were trading organisations owned and controlled by their members, governed on the principle “one member, one vote” regardless of shareholding. Since a revision on the Cooperative Code, however, investor members can participate and, in certain branches, can gain more influential votes due to the amount of capital behind the vote. These various branches include production, crafts, fisheries, consumer and social solidarity, in cooperatives with more than 20 members.

In cooperatives, at least 5% of the surplus must be allocated to the legal reserve fund and 1% to the reserve for cooperative education and training and for the payment of interest on shares. Only the cooperative surplus can be distributed among its members,

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that is, the results from business carried out between the cooperative and its members, generated by members. Benefits from transactions with non-members may not be distributed and must be allocated to mandatory reserves. Surplus from operations with the members may only be distributed to members who directly performed in the cooperative's surplus-generating activities, and in proportion of the contribution of these operations. In case of extinction, the surplus assets get distributed to the members for the redemption of their shares.

Social solidarity cooperatives fit well with the social enterprise operational definition. They are considered equivalent to IPSSs. They have their own legal framework for the cooperatives of social solidarity (*Regime Jurídico das Cooperativas de Solidariedade Social*, Decree-Law 7/98 of 15 January 2001).

They provide services with an objective to foster the integration of vulnerable groups, such as children, people with disabilities and socially disadvantaged families and communities, support to immigrants in poverty, to persons in vulnerable situations related to sickness, old age, disability and poverty, and promotion of education, training and professional inclusion.

They include beneficiaries of their services, workers and volunteers in their membership; they cannot distribute any surplus to their members and in case of extinction the surpluses will transfer to another social solidarity cooperative.

Differently from other legal forms of IPSSs, the resources generated by social cooperatives in the areas of social services and health and wellbeing fall short of the resources received from transfers and subsidies.

Cultural, social and consumer cooperatives can have the statute of public utility, implying the recognition that they pursue general interest or national, regional and local community interest activities in cooperation with the central and local public administration (Decree-Law 460/77 of 7 November 1977, and 391/2007 of 13 December 2007). This status defines that they do not exercise their activities exclusively benefiting the interests of their members or founders except if by their existence they promote activities of general interest.

Since cooperatives match both the economic and the governance criteria due to the Cooperative Code, the social criteria receives further guarantee by the public utility status, which supplements the 7th cooperative principle of the Code: "cooperatives work for the sustainable development of their communities through policies approved by their members."

A subgroup of housing and construction cooperatives would also fit the SE operational definition, affordable housing cooperatives, represented by the National Federation of Affordable Housing Cooperatives (*Federação Nacional das Cooperativas*

de Habitação Económica, or FENACHE). These cooperatives aimed to provide access to housing to people with fewer resources between the 1970s and the 1990s. It is estimated that they provided 180,000 houses for 6% of the population. Nowadays there are only about 50 active, mostly in buildings maintenance and conservation and management of social services and common spaces.¹⁰

Limited liability companies or joint-stock companies

Commercial enterprises in the form of limited liability companies or joint-stock companies may be set up and owned by SEOs or by individuals and other commercial enterprises. No legal framework regulates the latter as social enterprises, although businesses combining social and for-profit aims may have internal governance statutes incorporating social enterprise features such as limits to profit distribution.

Illustration 4. Miro Group

GSSDCR - Grupo de Solidariedade Social, Desportivo, Cultural e Recreativo de Miro (Miro Social, Sports, Cultural and Recreational Solidarity Group) started in 1978 as a sports and leisure association to offer leisure and sports opportunities to young people in small rural villages. In 2000 it scaled up to tend to social demands of the local community, providing social services to elderly people (home and day care) and to young children (transport, food and educational support) (Vieira *et al.* 2018). Throughout time it embraced new challenges and needs and adapted its mission to promote local development and culture through integrated activities in a hybrid legal form. Now the Group consists of five organisations with distinct legal forms: Leisure Activities and Radical Sports Association (Associação para Actividades de Lazer e Desportos Radicais); Rancho Típico do Miro, a folklore group to preserve the local culture and traditions; the Miro Association, an IPSS that provides social services to elderly and children; a farmers cooperative (Produtos da Nossa Aldeia) that supplies the needs of the Miro Association and sells to nearby shops; a transport and travel agency as a commercial enterprise (Miro Viagens) that offers local transport and tours, providing services and income to the Miro Association which owns 99% of the company.

Considering all organisations, the group has 50 workers and a financial structure that combines public funding, surpluses from the travel agency, user fees, members' dues and donations.

(10) https://www.cases.pt/wp-content/uploads/2016/11/Cooperativas_-de_-habitacao_economica.pdf (Accessed January 2019)

In its evolution and current structure, the Miro Group is exemplary in demonstrating how an orientation to local development and adaptation to local contexts drives innovative services and organisational forms. Whilst the commercial enterprise took form to serve the needs and generate resources for the IPSS, the cooperative presented a solution to the willingness of the IPSS to contribute to the local economy through consuming locally, something that is very difficult according to social services regulations.

Sources: www.gssdcrmiro.pt and Vieira *et al.* 2018.

Grey area

As seen, social enterprises may have almost all the possible legal forms, but their correspondence with the EU social enterprise criteria depends on the legal statutes that frame these organisations. The grey areas take place mostly inside associations, cooperatives and limited liability companies or joint-stock companies. The following grey areas connect to the different legal forms:

Associations may qualify as social enterprises if they fulfil the economic criteria as, in principle, they fulfil the governance and social criteria. However, the Social Economy Framework Law only explicitly includes associations with the IPSS statute and altruistic associations in the fields of culture, recreation and sports, and social development. Currently 15,917 associations with altruistic goals operate in the same fields as IPSSs such as social action and social security, health and wellbeing, faith and religion, education and research, but only 3,520 associations have the IPSS statute (INE/CASES, 2016). Most of these associations would likely meet the operational criteria but they are excluded both from the IPSS and the social economy regulatory frameworks, at least until the creation of a social economy database. 4,035 have public utility statute (Castro, 2017).

According to the data from the Satellite Account of 2013, the average number of workers in culture, sports and associations ranges at 0.4. Thus, although higher numbers of culture, sports and leisure associations participate in the social economy, they represent a low number of workers as they function through membership, volunteer management and limited economic activity. These associations with no staff do not meet the economic criteria, despite meeting the social orientation and the democratic governance criteria.

All cooperatives meet the economic and governance criteria as they have to comply with the Cooperative Code. With the exception of social cooperatives and public utility frameworks however (in the branches of culture, consumption and the social solidarity cooperatives with IPSS equivalent status), no legal guarantee ensures

that their activities benefit the broader public—the social dimension—although many examples show that they do indeed benefit the communities where they operate.

The impact of the crisis hit the cooperative sector hard, with 574 terminations between 2011 and 2017, and only 356 created. The branches with the greatest increase in new cooperative establishment (surpassing those facing a shut down) include agriculture, culture, services and social solidarity.¹¹ **New cooperatives have begun to orient toward social and societal problems of development and environment with strong emphasis on participation and pursuing economic activities.** These easily fit under the definition of social enterprise and have been constituted within several branches. Examples include, for instance, *Fruta Feia*, a cooperative for fruit rejected by mainstream markets described in illustration 5 below; Biovilla, a sustainability and permaculture project promoting nature tourism and awareness raising; and Coopérnico, a renewable energy cooperative (see illustration 7).

Illustration 5. Fruta Feia

Fruta Feia (Ugly Fruit), with the moto: “beautiful people eats ugly fruit” is a consumer cooperative set up to fight against food waste through creating proximity cycles between farmers and consumers. The cooperative aims at changing the consumption habits of vegetable and fruits while creating shared value through increasing small farmers income and providing consumers with local, seasonal and cheap fruit. It includes environmental concerns as it aims at reducing carbon emissions and other types of wastes: water, soil, energy and human labour, by reducing food waste. It aims to demonstrate an alternative model of commercialisation of fruits and vegetables rejected by the mainstream market because of their appearance, proposing a non-profit consumption model within the social and solidarity economy.

The initiative kicked-off in Lisbon in 2013 supported by a prize on innovative ideas (*Faz – Ideias de Origem Portuguesa*) and a crowd-funding campaign. Nowadays, with funding from the EU program LIFE, the project scaled up to six more cities, gathering 169 farmers, 4,932 consumers and avoiding the waste of 1,209 tons of fruits and vegetables.

The cooperative buys from farmers the fruits and vegetables rejected by their clients and distributes them to its members in delivery points. Partners such as associations, markets and bars set up these delivery point spaces, where volunteers organise the baskets to be picked up by the consumers.

(11) https://www.cases.pt/wp-content/uploads/2018/07/CASES_Demografia_do_Sector_Cooperativo.pdf (Last accessed on 15 January 2019).

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The annual turnover reaches 673,000 EUR, it employs 11 workers and involves 417 individuals and enterprises as volunteers. It involves a variety of partners, such as the organisations in the delivery points, SEO that order specific products and others that reuse the excess.

Fruta Feia has received several prizes as such from CASES and received an honour of “100 projects for climate” from the French Ministry of Environment.

Fruta Feia has experienced considerable success since its starting point as a social innovation project by a group of young people. Its innovative form of operations involves the contribution of volunteers in a consumption cooperative mobilised by environmental concerns. This also explains the expansion of *Fruta Feia* to other parts of the country.

Sources: <http://www.frutafeia.pt> and email exchange.

Some commercial enterprises have been identified as social enterprises in some studies, for pursuing activities oriented to social aims. In the SEFORIS study, some companies (3%) and individual businesses (9%) counted as social enterprises (Ávila 2016). In the database of the projects considered by MIES, 13 % of the projects emerge from companies or individual businesses. These projects mostly dealt with the fields of health (3), education and skills development (4), disability (1), culture (1), environment, education, preservation and recycling (4), tourism, community and economic development (4) (IES/IPAV 2015). In the fields of local development, one can also find businesses, as the study on local development initiatives showed, identifying 3% of these initiatives from commercial enterprises (Moreno 2003).

Regarding the economic criteria, these enterprises function autonomously, carry out an economic activity with trade above 25 % from sales or from contracts with the state, and likely have employees. Many emphasise how they innovatively deliver creative products and services. Less certain, however, are the governance and the public benefit criteria. Under the Portuguese legal frameworks, companies should generate profits for their owners (article 980 of the [Portuguese] Civil Code).

Work integration social enterprises do not constitute a legal form, although they may qualify as enterprises in the sense that they serve as units of production providing work for people with disadvantages (particularly long-term unemployed and people with disabilities). Two types of WISE were identified in Portugal: 1) social insertion enterprises, created by the public policy Social Employment Market for inclusion of disadvantaged people, and 2) sheltered employment, for people with disabilities, within the Programme of Employment and Support to Qualification of People with Disability and Inability (*Programa de Emprego e Apoio à Qualificação das Pessoas com Deficiência e Incapacidade*).

Most social insertion enterprises were established and owned by SEO, particularly IPSS. A report from the public programme mentions 512 social enterprises in 2004, 78% of which IPSS had set up (Quintão 2008). Most social insertion enterprises created under MSE did not survive the termination of the policy and no data illustrate how many exist these days.

In Azores, a network of social insertion enterprises receives support from CRESAÇOR. In a study of 17 WISE carried out in 2010, they are defined as “non-profit legal entities and structures of non-profit legal persons aiming at socio-vocational reinsertion of long-term unemployed or people in situation of disadvantage vis-à-vis the labour market” (ACEESA 2010: 6).

Sheltered employment centres are productive structures, with administrative and financial autonomy, legally constituted or integrated in public or not-for profit organisations. Public support to these centres includes funding for setting up and functioning, and a subsidy for each worker (70% of the wage). According to information in the field, less than 10 sheltered employment centres currently operate.

2.2. Legal evolution

A range of legal frameworks and legal forms meet the criteria of the EU social enterprise operational definition. Most of the social cooperatives, various legal forms of IPSSs, and cooperatives with public utility status or orientation to social and societal problems already fall within the social economy. Potentially, the legal form may not cause an impediment for commercial enterprises to also be included in the social economy as long as they comply with the grounding principles.

The Portuguese Constitution identifies the cooperative and social sector as a "third sector of the means of production", alongside the public and the private sector, and it is the duty of the state to protect and promote this sector (Art. 82 and 85). The **Framework Law of the Social Economy**, which entered into force in 2013 (Law 30/2013 of 8 May 2013), mentions this Constitutional background.

The Framework Law outlines several norms regarding the relationship between organisations and the Government, such as: SEO will receive representation in the Economic and Social Council and other bodies in order to define public policies that promote the social economy; the state must support the set-up and activities of SEOs; the state will cooperate with the existing SEOs in planning and developing public policies; the state will develop supervision mechanisms in collaboration with SEOs representatives and guarantee the stability of existing relationships. It also includes norms that acknowledge their special nature—and therefore allow a more

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favourable fiscal framework, and norms that outline the state's role in promoting the social economy's financial self-sufficiency and removing obstacles to help set up economic activities.

Changes in the specific laws for four of the "families" of Social Economy (cooperatives, mutual societies, associations and foundations) have surfaced, partly to adapt to the framework law, but also to address some identified issues and trends.

To comply with the commitments of the Framework Law and because of the aspirations of IPSSs representatives, the **statute of IPSSs** changed in 2014 (Decree-Law 172-A/2014 of 14 November 2014) including a statement of their compliance with the social economy principles as in the Framework Law, and in aspects that reinforced the social enterprise model. These changes included:

- > The possibility that members of the administration bodies can receive payment, under certain limits and conditions related with financial sustainability, namely financial autonomy above 25%;
- > The possibility that IPSSs develop (or own other organisations that do) commercial activities as secondary aims and instrumental activities, as long as these profits are totally reinvested in the non-profit activities. The statute of IPSS and its benefits do not apply to these organisations and activities;
- > The strengthening of their transparency with mandatory publication of their accounts on their website;
- > The reinforcement of their multi-stakeholder nature with the emphasis that the interests and rights of their beneficiaries precede the interests and rights of their associates, founders and the organisation, and the impossibility of workers to form the majority in the administration and supervision bodies.

The **Cooperative Code** changed in 2015 (Law 119/2015 of 31 August 2015, and Law 66/2017 of 9 August 2017). One contested change strengthened the multi-stakeholder character of some cooperatives, while abandoning the democratic principle of "one person one vote." Changes included: the possibility of having member-investors, the number of votes to vary according to the amount of capital in the branches of production, crafts, fisheries, consumer and social solidarity in cooperatives with more than 20 members and in issues excluding changes in the statutes and regulations, fusions or divisions, dissolution, filiation in higher degree cooperatives and legal actions against the members of executive and supervision bodies.

The **code of Mutual Associations** changed (Decree-Law 190/2015 of 10 September 2015) with effects mainly in strengthening participation and sustainability. This includes the limit on mandates of the management bodies' members, setting up an assembly of associates representatives to control the administration and broader participation of

the members in associations with more than 100,000 members. It includes provisions for periodic review of the equilibrium of the social insurance benefits and equilibrium mechanisms when imbalances appear.

The framework **of cooperation between the government and SEOs** providing social, health employment and training and education, most of them IPSSs, underwent review for a consolidated vision of the relations in the different fields of activity (Decree-Law 120/2015 of 30 June 2015). Contractual forms are described as: cooperation agreements (for social services), management agreements (where NPOs manage public services), protocols (of punctual nature for projects and innovative measures, in several areas including employment) and conventions (for health services). Legal revisions and a systematisation of the relations in the different fields followed these reforms.

2.3. Fiscal framework

Social enterprises enjoy a set of complex fiscal situations, which differentiate them from conventional enterprises. A working group within CNES has been set up to propose a fiscal framework for the social economy and produced their report and recommendations in 2017.¹²

The special situation of SEOs in fiscal terms depends on the different statutes and organisational forms. Cooperatives enjoy fiscal benefits that depend on the legal form, but also on the branch. Statutes such as collective persons of public utility, non-governmental organisations, private institutions of social solidarity or equivalent and non-profits also allow special concessions.

2.3.1. Fiscal benefits for organisations

Private Institutions of Social Solidarity, including mutual associations and mercy houses with the statute

IPSS and equivalent enjoy a set of fiscal benefits related to business tax, VAT, real estate taxes and donations. Most of the benefits and exceptions related to their role as employer are equal to all the other enterprises.

Total business tax exemption is granted for the non-distributed profits given their statute as IPSSs. They are also exempt from VAT in the sales from the provision of services and directly related exchanges in social services activities.

(12) CNES, “Relatório Preliminar — Estatuto Fiscal — Sector da Economia Social”, CNES-Relatório de Atividade, 2017. Available at https://www.cases.pt/wp-content/uploads/2018/02/CNES-Relat_%C3%BArio-de-Atividade-2017.pdf (accessed August, 2018).

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IPSSs can opt out of municipal tax and from real estate transaction tax in all the buildings where they carry out their activities. Furthermore, mercy houses are exempt from municipal tax in all the buildings they own.

Social security costs of IPSSs workers reduce by 1.45% on the employer's part. This benefit also gets awarded to other NPOs.

Some benefits and exemptions related to their role as employers are awarded to all type of employers, non-profit or for-profit, as part of employment promotion programmes:

- > Total exemption from the payment of employers' social security costs for three years if they hire (with a permanent contract) very long-term unemployed prisoners in open regime and their own workers in precarious contractual situations.
- > A 50% reduction from paying employer social security costs if they hire young people looking for their first job (five years reduction), long-term unemployed (three years), prisoners in open regime (reduction equal to the duration of the contract).
- > A reduction of the social security employer tax from 23.75% to 11.9% to employers who hire workers with disability with a capacity to work inferior to 80%.
- > Subsidies are provided for each hired worker belonging to sheltered groups such as unemployed, beneficiary of minimum income, person with disability, person from single-parent family, refugee, victim of domestic violence, ex-prisoner and drug addict in recovery.

Subsidies are provided for hiring unemployed people to perform socially necessary work, i.e., activities that satisfy social and collective needs, paid for a temporary period and that do not replace normal jobs. This applies only to public and NPOs and is also part of an employment promotion programme.

Subsidies also can fund internships for unemployed young people, long-term unemployed, people with disability and other sheltered groups. In NPOs, the subsidies measure higher than in commercial enterprises, covering 80% of the amount received by the intern. This forms part of an employment promotion programme.

No tax/fiscal benefits are specifically foreseen to start-up activities.

Associations and foundations

Fiscal benefits and exemptions to associations and foundations vary depending on their statute, legal form and activities.

Total business tax exemption is granted for associations and foundations with the status of public utility pursuing charity, social assistance, philanthropy, social solidarity or environment protection activities.

Exemption from VAT applies to the provision of services and directly related exchanges in social services activities of associations and foundations with the status of public utility.

Organisations with public utility status are exempt from municipal tax and from real estate transaction tax in all the buildings where they carry out their activities.

As for any other type of employer, exemptions from social security costs occur as described in the case of IPSSs. The same applies for subsidies for work and employment promotion available to all employers, as described above.

No tax/fiscal benefits are specifically foreseen to start-up activities.

Cooperatives

In the case of cooperatives, business tax depends on the legal form, activities and characteristics. Some branches may receive acknowledgement of public interest—even without a specific statute—and experience special fiscal situations and features related to their role in employment promotion, which justifies some benefits.

Business tax exemption is granted for the results of cooperative operations that include in their mission goals of housing, construction and social solidarity cooperatives, among others.

Because they receive equivalent consideration to IPSSs, social cooperatives have the fiscal benefits and exemptions of IPSSs.

All cooperatives get exempt from municipal tax and real estate transaction tax in the buildings where they carry out their activities, as do social enterprises.

As for any other type of employer, exemptions from social security costs occur as described previously. The same applies for subsidies for work and employment promotion available to all employers.

Some benefits to start-up activities in cooperatives get oriented to young people (NEET) who want to set up a new cooperative or create a section in an agricultural cooperative. The support includes a monthly subsidy for each member and a lump sum (Coop Jovem programme).

2.3.2. Fiscal benefits for donors

Private Institutions of Social Solidarity, including mutual associations, mercy houses with the statute and social solidarity cooperatives equivalent to IPSS

Donors enjoy tax and fiscal benefits for donations made to IPSSs that are acknowledged as expenditure for business tax purposes plus a mark-up from 30% to 50%, depending on the target groups/social problems addressed and on the donated amount.

Taxpayers have a deduction of 25% of the amount of their donations on their tax payable up to a certain limit dependent on global income.

Taxpayers can allocate 0.5% of the taxes owed to the state to an IPSS and donate 15% of the VAT paid in certain services which otherwise would return to the taxpayer.

Associations and foundations

Donors enjoy tax and fiscal benefits for donations made to public utility associations and foundations in the same conditions as described for IPSSs. Furthermore, donors enjoy tax benefits for donations to social solidarity foundations that are acknowledged as expenditure for business tax purposes in 140 % of the amount donated.

Donations to environmental, sports and educational foundations are acknowledged as expenditure for business tax purposes in 120% of the amount donated. Donors to organisations pursuing cultural, environmental, sports, culture and education organisations enjoy deductions between 120% and 140% of their sales and services, up to 6/1000, for effects of business tax.

Taxpayers have a deduction on their income tax (up to a certain limit dependent on global income) of 25% of the amount of their donations to public utility associations and foundations with social ends, development NGOs, humanitarian organisations, environmental, sports, education and cultural organisations.

No tax/fiscal benefits specifically apply to start-up activities.


Taxpayers can allocate 0.5 % of their income tax to collective persons of public utility developing activities of cultural interest or with environmental purposes. Taxpayers may also donate 15% of the VAT paid in certain services which otherwise would be returned.

3

MAPPING

This section attempted to measure social enterprises based on the Satellite Account, the main statistical resource in this report. Furthermore, it characterised social enterprises in terms of their fields of activity. They are dominant in social welfare services and relate tightly with the welfare state, namely IPSSs. They play a relevant role in employment promotion, both by promoting WISE—now less relevant with the policy’s termination—and training and job placement support. Another relevant field provides support to people with disabilities, where social cooperatives have an important role. In the field of development, housing and environment, activities flourish around local development organisations, new types of social enterprises in environmental protection and eco-tourism, and activities under the transition movements, eco-villages, organic farming and common lands. This broad field, less mapped under the social enterprise framework, could potentially provide a nest for the most innovative social enterprises.

Social enterprises were characterised in terms of their contribution to employment. Some organisations and fields of activities have a considerable number of generally full-time permanent workers with a highly feminised labour force. This is due to the weight of gendered activities in social welfare.



3.1. Measuring social enterprises

Alongside the lack of legal definitions of social enterprises and an incipient public debate lies the additional lack of data allowing to estimate their weight.

The only single categories studied as social enterprises have been social cooperatives, social insertion enterprises and IPSSs.

The **Social Economy Satellite Account** provides the most relevant information concerning the social economy, compiled by the National Institute of Statistics (*Instituto Nacional de Estatística* or INE) and CASES. The Satellite Account (INE and CASES 2013, 2016) follows the International Classification of Non-profit Organizations (ICNPO) of the *Handbook on Non-Profit Institutions in the System of National Accounts* (INCPO) added to the activities of the cooperative and mutual societies sector as designed in the *Manual for Drawing up the Satellite Accounts of Companies in the Social Economy: Cooperatives and Mutual Societies* (Westlund *et al.* 2006). Two waves have already been published, for 2010 and 2013.¹³ The data identifies legal forms of organisations and fields of activity, following a Classification of the Activities of the Entities of the Social Economy (*Classificação das Atividades das Entidades da Economia Social*, or CAEES), developed specifically for the Satellite Account.

The Satellite Account allows the identification of the economic relevance of the social economy:

- > In 2013, the social economy represented 2.7% of the GDP, 2.8% of the GVA, 5.2% of total employment, 5.2% of paid employment and 6% of employment in the national economy.

The Satellite Account also provides information on legal forms of social enterprises such as mutual associations, mercy houses, foundations, associations and cooperatives and by activity sector. It also provides data on IPSSs of the different legal forms. This report supplements this with information on cooperatives in CASES database, and information regarding the status of public utility.

In considering legal forms and specific status of social enterprises in the Satellite Account this analysis includes:

(13) We supplemented the information of the Satellite Account publications and database with the information contained in the methodological explanations presented by the authors, Cristina Ramos and Isabel Castro, in a workshop on the Satellite Account in February 2017 (<https://www.cases.pt/sessao-tematica-conta-satelite-da-economia-social-2013-17-fevereiro-2017-ine/>). We were informed that there is no further disaggregated data besides that publicly available.

- > Mercy houses (389) (388 with IPSS status, 1 with public utility status)
- > Mutual associations (111) (108 with IPSS status, 1 with public utility status)¹⁴
- > Foundations (578) (220 with IPSS status, 109 with other public utility status)¹⁵
- > Associations with IPSS statute (4731)

Other databases related to specific statutes:

- > Social solidarity cooperatives (209) (136 with IPSS status)
- > Cooperatives with the statute of public utility, in the branches of culture and consumption (87 cooperatives with public utility status)

The fields of development, housing and environment are understudied within the framework of social enterprises, except for specific cases. The Satellite Account includes in this field: local development associations, economic, social and community development associations, animal and environmental protection associations, and housing and construction cooperatives.

To consider social enterprises the analysis includes associations and cooperatives in this field of activity without IPSS status to avoid duplication:

- > Associations (development, housing and environment) (1,841).
- > Cooperatives (development, housing and environment) (65 affordable housing cooperatives¹⁶ of 311 cooperatives).

Underestimations in the grey areas include, for instance:

- > **Associations** possibly with a significant economic activity but without the IPSS statute do not get counted, despite operating in the same fields of activity as associations with IPSS statute, particularly social action and social security (5,058), health and wellbeing (705), among others. Besides, 4,035 associations have other public utility status, including 154 with the status of DNGO (for the latter one cannot control overlap as organisations may have several statutes).

(14) <https://www.cases.pt/ano2010/> (Accessed September 2018).

(15) However, according to a study by the Portuguese Foundations Centre there are 340 foundations with public utility status, including foundations with IPSS status, DNGO and simple public utility, and 239 without this status. See CPF 2017.

(16) Counted from FENACHE website (http://www.fenache.com/index.php?option=com_content&task=view&id=53&Itemid=61, accessed January, 2019).

- > **Cooperatives** serving both their members and the community in all cooperative branches do not get counted, including the new cooperatives addressing issues related to environmental sustainability.
- > Social enterprises with the legal forms of **commercial enterprises**, namely in the fields of local development and environment. Besides, SEOs own some commercial enterprises. For instance, cooperatives owned the total capital of 42 commercial enterprises, with activities mostly in the fields of development, housing and environment (26.8%), manufacturing (22.0%) and trade, consumption and services (14.6%).

Turnover is calculated from the Satellite Account, which follows the European System of Accounts (ESA 2010) and, therefore, includes only output (total of products created during the accounting period), measured in market output, output produced for own final use, non-market output. For the total of the social economy 61.1% qualifies as non-market output (5,114.3 million EUR), market output (3,114 million EUR) and own consumption (141.2) (Castro 2017). This means that sales and fees get included while transfers and subsidies do not, which represent a relevant source of resources.¹⁷

- > **IPSSs** in the field of social welfare and social security shape the main indicators of social enterprises and the place they occupy in the social economy. IPSS employ 130,476 FTE workers, representing 60.4% of paid employment in the social economy (Castro 2017). Total output measures approximately 2,753.5 million EUR. In 2013, there were 5,584 IPSSs represented 43% of the GVA and 44.1% of wages of the social economy.
- > **Mercy houses** employ 35,469 FTE workers, an average of 91.2 workers per organisation. Total output measures 848.7 million EUR. They contribute with 12.9% of the GVA of the social economy and 12% of the wages.
- > **Mutual associations** employ 4,896 FTE workers, an average of 44.1 workers per organisation. Total output is 525.9 million EUR. They contribute with 8.4% of the GVA of the social economy and 5.4% of the wages.
- > **Associations** with IPSS status (4,731) and social solidarity cooperatives (209) employ 90,111 FTE workers and have a total output of 1,378.9 million EUR.
- > **Foundations** employed 10,871 FTE workers and their average number of workers ranges at 18.8. Total output measures 484.3 million EUR. They contribute with 6% of the GVA of the social economy and 5.9% of the wages.

(17) According to the Satellite Account 2013, the total income of the social economy was 13,896.7 million euros, being 8,366 from production (60.2%), 26.7% from subsidies and transfers, and 10.1% from property income. SEOs represent 4.9% of total jobs and 5.2% of workers FTE in 2013. (INE/CASES, 2016).

- > The field of **development, housing and environment** employ a total of 4,387 FTE persons. They are distributed in associations, cooperatives and also in self-management initiatives. This report only counted 1,841 associations without IPSS status and 65 affordable housing cooperatives as social enterprises, so the number of workers has been overestimated. Also included in this overestimation are the 361 workers of the self-management initiatives in all fields,
- > Total output of associations in this field measures 104.8 million EUR and total output of cooperatives measures 35.1 million EUR. To avoid duplication, the researchers subtracted IPSS of all legal forms output in this field (32.2 million EUR). The numbers could not specifically identify output in affordable housing cooperatives, and therefore causes an overestimation as total output in all cooperatives of this field get included.

Table 1 shows the reachable numbers of social enterprises de facto in Portugal, such as numbers, number of employees ETI and annual turnover for each type of social enterprise.

Table 1. Measuring social enterprises in Portugal (year 2013)

| Typology of social enterprises | N° of social enterprises | N° of employees (ETI) | Annual turnover (output) million EUR |
|---|--------------------------|-----------------------|--------------------------------------|
| Mercy houses | 389 | 35,469 | 848.7 |
| Mutual associations | 111 | 4,896 | 525.9 |
| Social solidarity cooperatives and associations with IPSS status | 4,940 | 90,111 | 1,378.9 |
| Foundations | 578 | 10,871 | 484,3 |
| Cooperatives with other public utility status | 87 | N.A. | N.A. |
| Associations (development, housing and environment), without IPSS and affordable housing cooperatives | 1,906 | 4,387 | 110.6 |
| TOTAL | 8,011 | 145,734 | 3,348.4 |

3.2. Social enterprise characteristics

The fields of activity of social enterprises include sheltered employment and social workshops, provision of social services and healthcare, social assistance and care services of general interest, education, particularly from pre-school to secondary education. **A strong focus on welfare exists, but social enterprises also work on local and community development and newer fields of activity, such as environment protection and promotion, resources use, and fair trade.**

Target groups include unemployed people, NEET, persons with disability, children and young people, elderly, victims of domestic violence, former convicts, youth at risk, people in poverty and social exclusion, families, communities and territories.

Social welfare services and social security

Social enterprises play a central role in the provision of social services as they cooperate with public administration. According to the data from the Network of Social Services and Infrastructure, in 2016, 28.38% of social services were owned by commercial enterprises, 59.51% by IPSSs and equivalent (social cooperatives and people's houses—*Casas do Povo*¹⁸), 2.76% by other NPOs and 9.27% were public, 0.06% were companies' social services and 0.02% were from the QUANGO Holy House of Mercy of Lisbon (GEP/MTSSS 2016).

This area includes those services, which are provided mostly under the framework of the ministry of social security and provided by IPSSs and other SEOs, which do not have the statute but operate in the same field. **For historical reasons, this area has received the direct activity and influence of SEOs delivery than that of public provision,** which justifies the special status and relationship between public administration and SEOs. Many of these services are provided under contracts named "cooperation agreements" amounting 1.4 billion EUR which represented 80% of the public budget for this area in 2016 (IGFSS 2016).

The dominant fields include children and youth and elderly people, both in terms of cooperation agreements and the number of services. Support to children and youth represented 29% of contracts. Support to the elderly represented 42.8 % of all the contracts.

Data from the Network of Social Services and Infrastructure (GEP/MTSSS 2016), identified a weight of 49.1 % in services to children and youth and 41.3 % of services

(18) *Casas do Povo* are local associations set up during the dictatorship. They oversaw the promotion of culture, education and welfare and kept some of these functions, namely in social welfare. According to the social security registry, they were 106 in 1 June 2006.

to the elderly. For-profit providers own 17% of the social services while the remaining is public and mostly non-profit.

This field has experienced a tendency for growth because of a set of policies promoting increase in capacity, particularly in children and youth, and emergency measures during and after the crisis. Between 2010 and 2016, and particularly since 2015, the number of services almost doubled (increase in 89%).

Support to the most vulnerable people takes place through the so-called services to community, mostly provided by IPSSs. General services usually comprise of community centres and leisure centres and services to specific groups and problems: drug addiction (residency, and intervention teams), HIV (counselling, domiciliary support, residency), mental health, homelessness, domestic violence and poverty.

The relationship with the state gets negotiated and settled periodically in a Cooperation Protocol signed between the three umbrellas and the Ministry of Solidarity, Employment and Social Security and, since the signature of the Cooperation Commitment of 2015-16, also the Ministry of Education and Science and the Ministry of Health.

Employment

The sector of WISE currently experiences a lack of study and structure, particularly after the public programme of insertion enterprises ended in 2015, replaced by the emphasis in inclusion in the regular labour market, individual entrepreneurship and socially useful work (Decree-Law 13/2015, 26/01).

A study from 2006 (Amaro 2006) identified heterogeneity in the functioning of social insertion enterprises: 1) models close to occupational therapy; 2) temporary training schemes in a logic of transition to the labour market; 3) enterprises created to produce services and goods for the promoter; 4) enterprises that provide services both to the promoter and to the market; 5) enterprises functioning as enterprises of solidarity economy. As acknowledged, the latter presents the least dominant model.

In December 2016, the social insertion enterprises still functioning—which had received funding during seven years—involved 1660 beneficiaries, 1.8 % of the total of beneficiaries of employment and work promotion policies (Dias *et al.* 2017).

Employment promotions have not been at the core of the mission of the SEOs, particularly IPSSs. The main involvement of SEO with the so-called active labour policies comes from opportunistic employment of workers at low costs, particularly the smaller organisations (Paiva *et al.* 2015).

Currently no national policy specifically works to create WISE, although existing employment promotion programmes may promote them, and this explains why

social enterprises get mentioned in the operationalisation of the EU structural funding programmes. Policies tend to favour the inclusion of disadvantaged people in the regular labour market, more than directly supporting the set-up of WISE, mainly through training and placements for disadvantaged groups.

Other initiatives target disadvantaged groups such as NEET, long-term unemployed or beneficiaries of minimum income, in such forms as education for entrepreneurship, development support for business or professional plans, micro-entrepreneurship incubators, and self-help groups of unemployed people.

Illustration 6. Dianova Portugal

Dianova demonstrates a non-profit association with the statute of IPSS in the field of health and of development NGO, established in 1984 as a therapeutic rehabilitation community. In the 1990s it scaled deep its intervention for social and professional reintegration. Through this approach, Dianova became a reference for the therapy community, with two streams: addiction treatment and social and professional reintegration.

Its activities include treatment of drug, alcohol and internet/gaming dependency, psychosocial support, a social insertion apartment, training, raising awareness toward targeting people with addiction, young people at risk and individuals and families in situation of vulnerability. It publishes the online magazine *Revista EXIT*[®] oriented to topics of interest to the third sector/social and solidarity economy and capacity building activities for health and other professionals. In 2010 it created a nursery floriculture, Dianova–Empresa de Inserção Viveiros de Floricultura Dianova (Floriculture Nursery Insertion Company), in the context of the Social Employment Market support to social insertion enterprises, to promote socio-professional reintegration of people with drug addiction. This floriculture presented an opportunity to develop the professional and social skills for its users. Besides labour market inclusion, the generated income contributed to other Dianova activities (Quintão *et al.* 2017). Although Dianova tried to maintain its WISE after the policy's termination in 2015, the company met a decrease of its production and revenues and closed in July 2018.

According to its side publications, in 2016 it had 30 workers, with equal gender distribution and in 2017, 70% of its resources derived from sales and fees.

Dianova, an innovative IPSS, had the capacity to answer to new social problems and oriented its activities both for their target groups and for professionals and SEO. Its WISE served as a major reference for this policy and the fact that it didn't survive the termination contributes important points to the debate on supporting WISE in Portugal.

Sources: <https://dianova.pt>, contact with Dianova and Quintão *et al.* 2017.

Disability

Social Support to people with disability is also provided mostly by IPSSs and social solidarity cooperatives. Their services include occupational activities centres, and residential homes as the most significant services. They also provide precocious intervention, autonomous residencies and domiciliary support. They experienced a significant increase in services between 2000 and 2016 (81%) (GEP/MTSSS 2016).

Social cooperatives, especially CERCIs, provide occupational activities, residential units, domestic support, advanced intervention in the context of social security, along with special education, vocational training and sheltered employment (Fernandes 2016).

Sheltered employment specifically promotes employment of people with disability, providing an opportunity for the development of social, personal and professional skills for inclusion in the regular labour market. It includes internships, employment-insertion contracts, supported employment contracts and sheltered employment centres.

In 2016 sheltered employment comprised 17.5% of the cost of rehabilitation measures of the Institute of Employment and Training (*Instituto do Emprego e Formação Profissional* or IEFP), serving 406 users (3.3% of all beneficiaries of these measures), (IEFP/MTSSS, 2017).

Development, housing and environment

This broad area, according to the Satellite Account, involves mostly associations, cooperatives and community and self-management initiatives. Several subsectors may identify within this field.

One relatively well-structured sub-sector, that of local development organisations and initiatives, does not have a specific statute but receives acknowledgement as a sub-sector of the social economy, finding representation in CASES and CNES by the Portuguese Association for Local Development (Associação Portuguesa para o Desenvolvimento Local or ANIMAR).

These initiatives have a strong territorial focus and mostly operate in rural areas—particularly those from EU programmes such as LEADER and other programmes oriented toward social and territorial cohesion—and in disadvantaged urban areas. Their interlocutors, besides the EC agencies, include local municipalities, universities, regional offices, tourism administration, and the ministries of agriculture and employment.

They mainly engage in local community development, implying a set of activities which often complement education (professional training, adult education, research), sports, culture and leisure, and publications, support to the local economy and environment (support to local producers, to crafts and food producers, to tourism and other local businesses, and environment protection and promotion). Their activities also include

social welfare, employment promotion and promotion of cooperation and associativism (Moreno 2003).

A study in the context of ANIMAR (Moreno 2003) estimated that more than 300 initiatives have emerged, and a survey to 90 of these organisations identified that they mostly operated as associations (70%), cooperatives (10%), foundations (6%), mercy houses (6%), public organisations (5%) and commercial organisations (less than 3%). They often create partnerships, as individuals, other SEOs and local government establish them.

Another sub-sector regards environmental organisations and initiatives, and promotes the monitoring, advocacy, public participation, public education and awareness of environmental challenges. Portuguese society has increasingly mobilised around simultaneous social and environmental issues due to increased acknowledgement.

On the other hand, an increasing number of organisations combine environmental concerns with alternative ways to organising the economy. **New social enterprises combine environmental awareness, local development and tourism promotion.**

To counter the desertification of the rural areas, many (mostly young) people have migrated from urban to rural areas, searching for a more balanced, meaningful and improved quality of life. In this regard, **a wide range of initiatives and networks has sprouted around permaculture, ecovillages, transition or organic farming in Portugal, and experimenting with alternative ways of living.**

Illustration 7. Coopérnico

Founded in 2013 by 16 citizens, Coopérnico—Cooperative of Sustainable Development—presents the first and only renewable energy cooperative in Portugal. With the motto “green energy, sustainability and citizenship”, it has experienced continuous growth. Nowadays it has 1,141 members and an investment of 1 million EUR.

Its operations include creating and distributing renewable energy infrastructure (mostly photovoltaic panels) to its members at agreed-on prices. In the short-term it aims to commercialise renewable energy. Since the photovoltaic panels get installed on the rooftops of SEOs, it both rents the space and shares income with SEOs. The photovoltaic panels have been set up in schools, nursing homes, agricultural cooperatives, associations for people with disabilities and others.

Coopérnico activities also include awareness raising and environmental education, climate change awareness and other environmental struggles against fossil fuel.

Coopérnico can supply 650 families and avoids 1,100 tonnes of carbon emission per year. It won Gulbenkian Foundation and CASES awards for its role in promoting sustainability. In 2017, 6% of Coopérnico resources derived from sales and fees.

Coopérnico merits notice for its intervention in environmental sustainability in a cooperative form, combining service to members while contributing to solving a global environmental issue, and offering solidarity towards other social and solidarity economies with whom it partners to establish their infrastructure.

<https://www.coopernico.org>

The average wage of IPSSs workers falls at 73.9% of the national average wage, even lower than the social economy (86.4% of the national average wage). The lowest wages occur in mercy houses. This is partly explained by the fact that social services workforce has a substantial number of low qualified workers. It also comprises a highly feminised workforce—about 80% to 90%, in contrast with the over-representation of men in the directive bodies (Martinho and Parente 2015).

The types of jobs in social welfare activities tend to be permanent, given the type of services provided and the stability of the contractual relationship with the state. A study on a sample of SEOs identified that 74% of workers had permanent contracts, with stability reflecting the hierarchy and qualifications (Paiva *et al.* 2015). Several studies regarding working conditions in SEOs point to workers' autonomy, diversity of tasks and participation in decision-making as all relevant features contributing to work satisfaction and minimising the discouraging effect of low wages (Parente 2012, Caria 2013).

4

ECOSYSTEM

This section described the heterogeneous ecosystem for social enterprises in Portugal. It identified three groups of policy schemes and support structures: those oriented to all enterprises, those oriented to the social economy, and those specific to social enterprises. The first group included those promoting SMEs, employment, entrepreneurship and innovation in general. The second group gains relevance as significant political and organisational activism continues to promote the social economy in Portugal. Finally, the report characterises the third group for targeting specific groups or organisations, such as IPSSs, social cooperatives, social businesses and social finance.

This section illustrated the variety of networks and support mechanisms found in research and education, highlighting the numerous post-graduate courses and the scarcity of research. The report identifies new trends, such as a variety of certification and awards, incubators, prizes and grants.

Funding sources have become increasingly varied, particularly due to persisting budgetary constraints. The research detects a new activism from philanthropic foundations and the promotion of a social finance ecosystem for social businesses while the state's traditional role in scaling up and sustaining social innovations seems far from sight. In this context, EU funding has become even more relevant and continues influencing the development of social enterprises.

While one can say that start-up and scale-up investment funding exists from many sources, funding for the sustainable function of social enterprises remains scarcer. Since the crisis citizens face deeper poverty—few cases social enterprises therefore find a significant part of their income in market sales or private philanthropy. Finally, within a weak market economy, commercial businesses may compete with social enterprises for profits, especially due to the lack of a clear or exclusive framework for social enterprises.



4.1. Key actors

Table 2 identifies several types of key actors in the social enterprise ecosystem, including government, partnership and sectorial bodies, infrastructure organisations, training and research institutions and initiatives, incubators, networks and platforms and intermediaries. **Because of the term's disuse, no actors explicitly address social enterprises, though a wide variety of these specifically align with certain types of de facto social enterprises or the broad field of social economy and social businesses.**

Table 2. Key actors in the social enterprise ecosystem

| Type of institution/Organisation | Actor |
|--|---|
| Governmental departments/ institutions | <ul style="list-style-type: none"> > Ministry of Solidarity, Employment and Social Security > Ministry of Economy > Secretaria de Estado de Segurança Social > Secretaria de Estado do Emprego > IAPMEI–Instituto de Apoio às Pequenas e Médias Empresas e à Inovação > IEFP–Instituto do Emprego e Formação Profissional |
| Partnership and social and civic dialogue bodies | <ul style="list-style-type: none"> > CASES > CNES > Conselho Económico e Social > Comissão Permanente do Setor Social e Solidário |
| Authorities designing and enforcing legal, fiscal, and regulatory frameworks | <ul style="list-style-type: none"> > CASES (for cooperatives) > Ministry of the Interior (for foundations) > Direção Geral da Segurança Social (for IPSSs) > Presidency of the Council of Ministers (for public utility) > Autoridade de Supervisão Seguros e Fundos de Pensões (for large mutuals) |
| Authorities designing and enforcing public procurement legislation | <ul style="list-style-type: none"> > Instituto da Segurança Social > Administração Central do Sistema de Saúde > Direção Geral da Administração Escolar > Instituto dos Mercados Públicos, do Imobiliário e da Construção, I.P. > Entidade de Serviços Partilhados da Administração Pública, I.P. |

| Type of institution/Organisation | Actor |
|--|--|
| <p>Organisations promoting, certifying and awarding label, business prizes, social reporting systems and other mechanisms to generate awareness and acknowledge the social value in social enterprises' products, services or methods of production</p> | <ul style="list-style-type: none"> > Instituto de Empreendedorismo Social and MIES (label ES+) > Prémio Cooperação e Solidariedade António Sérgio (by CASES) > CRESAÇOR, with the label CORES > ANIMAR, with the label ANIMAR.COM on social innovation > Prize Manuel António da Mota (Mota Engil) > Prize INSEAD Empreendedorismo Social |
| <p>Institutions and initiatives promoting social enterprise education and training</p> | <ul style="list-style-type: none"> > Mestrado em Gestão de Organizações de Economia Social–IPSantarém > Curso de Pós-Graduação em Economia Social–Cooperativismo, Mutualismo e Solidariedade–Faculdade de Economia da Universidade de Coimbra > Curso de pós-graduação em Direito da Economia e do Investimento Social–Faculdade de Direito da Universidade de Lisboa > Mestrado em Empreendedorismo e Inovação Social–Universidade da Beira Interior > Mestrado em Intervenção Social, Inovação e Empreendedorismo–Faculdade de Economia da Universidade de Coimbra > Mestrado em Economia Social e Solidária ISCTE > Pós-Graduação em Economia Social Universidade Técnica de Lisboa > Mestrado em Economia Social–Escola de Economia e Gestão, Universidade do Minho > Mestrado em Economia Social–Universidade Católica do Porto > Universidade de Verão Montepio/Universidade Autónoma de Lisboa > A3S Associação para o Empreendedorismo Social e a Sustentabilidade do Terceiro Setor > Bolsa de Formadores para a Economia Social–CASES > IES Social Business School |
| <p>Observatories and entities monitoring the development and assessing needs and opportunities of social enterprises</p> | <ul style="list-style-type: none"> > CIRIEC Portugal > OBESP–Observatório da Economia Social Portuguesa > EAPN Portugal–Rede Europeia Anti Pobreza > Gabinete de Estudos Sociais e Mutualistas da Associação Mutualista Montepio > Carta Social (by Cabinet of Strategy and Planning of the Ministry of Work, Solidarity and Social Security) > INE/CASES (Satellite Account of the Social Economy) > Gabinete de Estratégia e Planeamento/Ministério do Trabalho, Solidariedade e Segurança Social > ACEESA–Associação Centro de Estudos de Economia Solidária do Atlântico |

| Type of institution/Organisation | Actor |
|---|---|
| Incubators | <ul style="list-style-type: none"> > PAES Aceleração, Casa do Impacto–Santa Casa de Misericórdia de Lisboa > SEA–Agência de Empreendedores Sociais > Social Lab–Fundação EDP > Coopjovem (by CASES) |
| Facilitators of learning and exchange platforms | <ul style="list-style-type: none"> > Forum Cidadania e Território > Agência de Inovação Social (by ANIMAR) > Forum Intercooperativo > ReCo–Rede Cooperar > FORMEN–Federação Portuguesa de Centros de Formação Profissional e Emprego para Pessoas com Deficiência > Rede Rural Nacional > Grupo de Trabalho Português para o Investimento Social > Aliança para o Investimento em Impacto Social |
| Organisers of social enterprises networks, associations and pacts that engage in advocacy, mutual learning and facilitating joint action | <ul style="list-style-type: none"> > CPES - Confederação Portuguesa de Economia Social > ANIMAR–Associação Portuguesa para o Desenvolvimento Local > CNIS–Confederação Nacional das Instituições de Solidariedade > CONFECOOP–Confederação Cooperativa Portuguesa > FENACERCI–Federação Nacional de Cooperativas de Solidariedade Social > RESIT–Rede de Empresas Sociais de Inserção pelo Trabalho > RedPES–Rede Portuguesa de Economia Solidária > UMP–União das Misericórdias Portuguesas > UMP–União das Mutualidades Portuguesas > APM–Associação Portuguesa de Mutualidades > CPF–Centro Português de Fundações > EAPN–Rede Europeia Anti-Pobreza > Rede de Economia Solidária dos Açores > Federação Minha Terra |
| Organisers/managers of business links between social enterprises and mainstream enterprises | <ul style="list-style-type: none"> > GRACE–Grupo de Reflexão e Apoio à Cidadania Empresarial > Stone Soup Consulting > MAZE |

| Type of institution/Organisation | Actor |
|---|--|
| Financial intermediaries (social impact investors or funds, philanthropic investors or funds, crowdfunding platforms etc.) for social enterprises and support infrastructures | <ul style="list-style-type: none"> > EMPIS–Estrutura de Missão Portugal–Inovação Social > Fundação Calouste Gulbenkian > Social Investe > Sou Mais–Programa Nacional de Microcrédito > Bairros/Zonas de Intervenção Prioritária (BIP/ZIP) > Fundação EDP > PPL Crowdfundng Portugal > BPI Senior, BPI Capacitar, BPI Solidariedade > EDP Solidaria > Prémio Fidelidade Comunidade > Associação Mutualista Montepio |
| Organisations providing assistance to enhance the investment and contract readiness of social enterprises | <ul style="list-style-type: none"> > ASII–Alliance for Social Impact Investment > Programa Impacto Social (CASES/Montepio) > Plataforma Geofundos > Marketplace > MAZE > Grupo de Trabalho Português para o Investimento Social |

4.2. Policy schemes and support measures for social enterprises

4.2.1. Support measures addressed to all enterprises that fulfil specific criteria (and which may benefit social enterprises)

This section emphasises support measures, bodies and initiatives that can benefit social enterprises given their focus on SMEs, entrepreneurship and innovation.

The Institute for the Support of Small and Medium-sized Enterprises (*Instituto de Apoio às Pequenas e Médias Empresas e à Inovação*, IAPMEI) emerged through the Portuguese government in 2007 to promote competitiveness, SME growth, strengthen innovation and entrepreneurship and support business investment. It is the national delegate of COSME (EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises) that includes amongst its objectives the promotion of entrepreneurship and entrepreneurial culture with special emphasis on social entrepreneurship, the social dimension of public procurement, social innovation networks and access to risk capital.

Start Up Portugal presents the national strategy to promote the Entrepreneurship in the country with support of the European Social Fund through Portugal 2020 (Compete Programme).¹⁹ The strategy has three main objectives: to create and support the national ecosystem, to attract national and foreign investors and to accelerate the growth of Portuguese start-ups in foreign markets. As part of this strategy, a national network of incubators and accelerators was created, National Network of Incubators and Accelerators (*Rede Nacional de Incubadoras e Aceleradoras*), which gathers almost 130 organisations that foster aspiring entrepreneurs and SMEs and connect them with investors.²⁰

Although most incubators do not specifically focus on helping set up social enterprises, as they focus on projects rather than organisations, nothing prevents them from assisting some social enterprises in their set up. Examples of incubators for innovation and entrepreneurship include Fábrica de Startups, which supports entrepreneurs in setting up their business. Impact Hub Lisbon²¹ offers space, training, incubation and acceleration for social entrepreneurship and social innovation projects. Montepio SocialTech²² provides an incubation programme focusing on social innovation with a technological approach. The best-scored project receives 10,000 EUR in acknowledgement, and all other selected participants can access the incubation and acceleration programme. Acredita Portugal forms a non-profit association promoting entrepreneurship through training, incubation and entrepreneurship competitions.²³ It promotes the Montepio Acredita Portugal Competition, Brisa Mobility Prize, and K. Tech Prize and can also include projects oriented to social innovation and social entrepreneurship.

Several organisations and commercial banks promote microcredit programmes or loans with special conditions for individuals in disadvantaged labour market situations to help them set up commercial businesses. The term social entrepreneur sometimes applies to these individuals. Among these programmes include those of the public body for employment promotion, IEFP, oriented oriented to youngsters and unemployed people (MicroInvest, Invest+ and Investe Jovem), the National Association of Right to Credit (*Associação Nacional de Direito ao Crédito*), a non-profit institution focused on microcredit loans, and the microcredit programmes of some banks, such as Novo Banco, Millenium BCP or Montepio.

(19) <http://startupportugal.com/>

(20) <http://rni.pt/>

(21) <https://lisbon.impacthub.net/>

(22) <http://socialtech.pt/>

(23) www.acreditaportugal.pt

The National Microcredit Programme (*Sou Mais*), managed by CASES and supported by a network of 44 SEOs operating locally, may be awarded to individual entrepreneurs, micro-entities and cooperatives.

4.2.2. Support measures targeting social economy/non-profit organisations (and which may benefit social enterprises)

Since 2010, governments have proactively supported the social economy.

One can describe PADES as the turning point of governmental attention to a third sector. It included: a credit line with subsidised interest rates, the national microcredit programme, training programme for SEOs, creating CNES, and highlighted the newly created CASES as the entity to promote the social economy.

CASES promotes the strengthening of the social economy sector, deepening cooperation between the state and member organisations. It is a partnership organisation, a cooperative of public interest with the organisational form of a *regie* cooperative where the state retains 66.22% of the capital and the votes, while the remaining gets equally distributed among the other members (5.63% each)—six national federative bodies of the social economy.

Therefore, CASES organises most measures specifically directed to support the social economy. These include:

- > ESJovem—action intended for awareness raising and training of young people for the development of collective social entrepreneurship;
- > Social Impact programme, developed in partnership with Santa Casa da Misericórdia de Lisboa, Montepio Foundation and the impact consultant 4Change. This programme aims to enhance the SEOs skills in managing Social Impact through a platform of learning and interaction. It started in 2013 and has involved 265 SEOs;²⁴
- > Social Investe—a programme for subsidised interest rates and guaranteed credit for loans to commercial banks.

Another role of CASES, in collaboration with the National Statistics Institute, is to elaborate the Satellite Account of the Social Economy, which measures the socioeconomic impact of the social economy sector in the country. In 2017, it also organised jointly with CNES, the I Social Economy Congress, concluding with 20 recommendations oriented to empower the social economy entities in financial, political and legal issues.²⁵

(24) <https://www.cases.pt/nova-edicao-programa-impacto-social-2018/>

(25) <https://www.cases.pt/wp-content/uploads/2017/12/Congresso-Nacional-da-Economia-Social-2017-Recomenda%C3%A7%C3%B5es.pdf>

4.2.3. Support measures specifically addressed to social enterprises

Although the reference to social enterprises starts to appear in support policies, still no policy specifically addresses social enterprises.

When considering those SEOs previously acknowledged as social enterprises, one can identify a potential for promoting WISE again. Existing policies for bolstering employment through entrepreneurship of disadvantaged groups could offer this solution, namely through EU funding operational programmes, EaSI (Employment and Social Innovation) and microcredit programmes for instance. Also, EaSI explicitly names social enterprises as a target in promoting a social investment market for enterprises whose turnover does not exceed 30 million EUR.

The **programme CoopJovem**²⁶ has a big potential to promote the emergence of social enterprises. This programme, managed by CASES, promotes youth cooperative entrepreneurship, an incubation composed by technical support, mentoring, start-up grants and a subsidised credit line (MicroInvest). CASES already registers 190 projects in its database. In 2017, the profile of the promoters was 52% female, 35.5% with higher education and 28% with secondary education, with a mean age of 36 years old (CASES, 2018).

For the financial restructuring and the modernisation of IPSSs, a **Social Solidarity Sector Restructuring Fund** sprouted in the context of an emergency programme, managed by government and IPSSs representatives.

Regarding the promotion of social innovation and social enterprises as framed by Portugal 2020, **Portugal–Social Innovation**²⁷ gained approval in 2014, with 150 million EUR, to foster a social investment market by drawing from several EU funded operational programmes. Ultimately, this aims to enhance and scale up social innovation and social entrepreneurship projects. Named Social innovation and entrepreneurship initiatives (*Iniciativas de Inovação e Empreendedorismo Social* or IIES), these simple and easy-to-replicate projects tackle neglected societal problems, while generating their base from low-cost abundant resources and develop scalable business models with their community. It includes four measures: Capacity building for Social Investment, Partnerships for impact, Social Impact Bonds and the Social Innovation Fund.

4.2.4. The role of EU funds

European funds have played a central role for the development of the social enterprises and SEOs in Portugal as these organisations often implement many of the EU funded programmes. For instance, many acknowledge that LEADER

(26) <https://www.cases.pt/programas/coopjovem/#apoios>

(27) <http://inovacaosocial.portugal2020.pt/>

held much responsibility for the substantial growth, capacity and structuration of the local development sector (Moreno 2003). Currently, Europe 2020 Strategy and the frameworks of European funds nod to the social and solidarity economy and to social enterprises, as well as to social entrepreneurship and social innovation.

Due to the country's financial challenges and decline in the public budget since the 2008 crisis, reliance on EU funds has increased so that almost all promotion measures in some way receive support by these funds.

In terms of the European Structural and Investment Funds—managed nationally under the strategy Portugal 2020—3 of the 11 thematic objectives directly relate to the social economy, namely: 8) promoting employment and supporting work mobility; 9) promoting social inclusion and fighting against poverty; 10) investing in education, skills and lifelong learning.

Portugal 2020 has activated through seven regional plans and several thematic operational plans, such as: COMPETE 2020 for competition and internationalisation (*Programa Operacional Competitividade e Internacionalização*), and POISE for social inclusion and employment (*Programa Operacional Inclusão Social e Emprego*), which encompasses subsidies for employment promotion by all enterprises and modernisation efforts for SEOs. Social enterprises can tap into these different sources through programmes that are open to all enterprises or to SEOs specifically.

Other European programmes offer direct access for Portuguese organisations. For instance, EU Programme for Employment and Social Innovation (EaSI), Horizonte 2020, for research and innovation, Erasmus + for education, training and youth, Fund for European Aid to the Most Deprived, among others.

POISE includes support for developing and qualifying social enterprises and social and solidarity economy for employment promotion. It targets the Centre, North and Algarve regions, and Algarve has already identified specific areas for social insertion enterprises development, such as in recycling and local products. The regional operational plans of Azores, Madeira and Algarve all include the promotion of social enterprises. In the Centre, North and Alentejo, social enterprises appear side by side with SEOs and commercial enterprises as possible promoters of employment creation, sometimes understood as microenterprises created by unemployed people in areas of personal and social services.

EaSI includes a micro-financing and social entrepreneurship promotion stream for vulnerable groups, encouraging micro-enterprises for employment creation and fostering social investment for social enterprises.

4.3. Public procurement framework

Public procurement for social enterprises varies according to statute and area of activity. Particularly, different sectors of the state developed different relations with SE.

In social security, for instance, cooperation agreements and contracts used to uphold the provision of goods and services by IPSSs (or equivalent) until 2017. Since then, however, the new Code of Public Procurement has introduced reserved and competitive procedures for new contracts or expanding existing ones under a programme called PROCOOP–Celebration or Enlargement Program of Cooperation Agreements for Development of Social Responses Responses (*Programa de Celebração ou Alargamento de Acordos de Cooperação para o Desenvolvimento de Respostas Sociais*).

The IPSSs status provides access to cooperation agreements, signed between the provider and social security administration. The cooperation agreements are framed under a Cooperation Protocol periodically signed between IPSSs national representatives and government, establishing the amounts paid per user for a set of social services, particularly for children, youth at risk and the elderly. These agreements, signed with central public administration with a fixed price, get awarded based on the technical and qualitative specifications of the offered supply of goods and services. Differently, atypical cooperation agreements consider the specificities of users, territories and services.

In 2014, about 13,000 cooperation agreements existed, encompassing 456,700 beneficiaries. The largest number of cooperation agreements aimed to support the elderly (6,262) and children and youth (5,249) followed by support to disabled people (770) and to family and community (389). Other less numerically significant areas include support to dependent people (85), mental health (57), drug addiction (52), domestic violence (44), HIV (19) and homelessness (2) (Fernandes 2016). In 2016, it increased with a total of 16,300 cooperation agreements, 447,600 beneficiaries, and an amount of 1.4 billion EUR (IGFSS 2016).

In health services, conventions (*convenções*) serve as the main contractual tools for the provision of services to users of the National Health Service. These contracts are made with social enterprises or any other private for-profit or non-profit provider through open competitive procedures. National laws regulate these contracts at the national or regional level. The blend of technical and qualitative specifications, the offered goods and services, and the price all dictate the distribution of these contracts. One perceives palpable competition between for-profit and non-profit providers. The value of the contract displays a minimum and a maximum cost reference, and the user may then choose between the different providers.

In education, the main contractual tools are association contracts with schools in private and cooperative sectors, complementing the needs of the public education system in primary and secondary education. The contractual conditions undergo regulation by national laws that establish the number and geographical areas where the calls for competition open. The degree to which the projects foment the goals of the ministry of education (school success, quality, stability of the staff) determines how contracts get awarded. The value of the contract is set a priori in the call.

The variation of the contractual arrangements between the state and SEs is expressed in pre-school education. Since current policy aims at universalising access to free pre-school education, different arrangements and responsibilities involve two ministries (education and social security), local government, both private and cooperative schools, and IPSSs and other non-profit schools.

The EU public procurement rules (2014/24/EU) were transposed to the code of public contracts in 2017 (Decree-Law 111-B/2017 of 31 August 2017), with the inclusion of social clauses. The changes included, amongst others, aligned with the EU Directive:

- a. In situation of a draw, the possibility that the contract is adjudicated to a social enterprise or a SME (Art. 74);
- b. The possibility that some contracts are reserved so that the applicants are entities whose main mission is social and professional inclusion of people with disability or disadvantaged, as long as 30% of their workers are in this situation (Art. 54-A);
- c. The inclusion of the norms which refer to the possibility to reserve contracts for certain services of health, social, education and cultural services to organisations with a public mission connected to the services, that reinvest the income or distribute them in a participatory way, include workers in the social capital or base their management in participatory principles involving workers, users and stakeholders. Social enterprises that comply with these conditions may also participate in these contracts (Art. 250-D);
- d. Specific procedures for products and innovative services, including the areas of social services, health, education, research and development, which allow payment by objectives and results (Art. 301-A).

The new rules of public procurement both acknowledge the special relations between public administration and some SEOs, but it also promotes WISE by allowing positive discrimination for those enterprises with beneficial effects in employing disadvantaged groups.

4.4. Networks and mutual support mechanisms

Social enterprises tend to self-organize in federations, territorially and thematically, and in national confederations. The federative bodies usually provide technical support, training and a voice for their associates on the platform of sectorial governmental consultative bodies.

The most relevant mutual support structures include the umbrella organisations of the different groups of social enterprises: *Confederação Nacional das Instituições de Solidariedade* (CNIS) for IPSS, *União das Misericórdias Portuguesas* for mercy houses, *União das Mutualidades Portuguesas* and *Associação Portuguesa das Mutualidades* for mutual associations, and *Federação Nacional de Cooperativas de Solidariedade Social*—representing social solidarity cooperatives and an active member of *Confederação Cooperativa Portuguesa* (CONFECOOP), representing cooperatives aside from agriculture and credit. ANIMAR, the network of local development initiatives and *Federação Minha Terra*, another federative structure of local development organisations, also offer support mechanisms.

Rede de Empresas Sociais de Inserção pelo Trabalho forms the mutual support network for social insertion enterprises member of the European Network of Social Integration Enterprises (ENSIE). The regional *Rede de Economia Solidária dos Açores* includes 25 NPOs/WISEs supporting groups at risk through training and employment. *Rede Portuguesa de Economia Solidária* is the network for solidarity initiatives, with a strong presence of local development social enterprises.

ANIMAR, *Confederação Nacional das Cooperativas Agrícolas e do Crédito Agrícola de Portugal*, CONFECOOP, CNIS, *União das Misericórdias* and *União das Mutualidades* act as **members of CASES**, a civic dialogue and strategic partnership body supporting the social economy. These umbrellas and the confederation of cultural, sports and leisure associations, CPCCRD (*Confederação Portuguesa das Coletividades de Cultura Recreio e Desporto*); the foundations umbrella body, *Centro Português de Fundações*; as well as some individual experts, form the **members of CNES**, created in 2010 as the consultative body for issues related to the promotion and growth of the social economy. It has overseen proposals to revise the cooperative code, the mutual association code, the private foundations and grassroots associations' legal frameworks (2014), the permanent database of SEOs (2015) and the fiscal statute of the social economy sector (2017).

The **First Social Economy Congress** took place in 2017 and ended with a commitment to set up the Portuguese Confederation of the Portuguese Social Economy (*Confederação Portuguesa de Economia Social*, or CPES), created in July 2018.

A **Permanent Commission for the Social and Solidarity Sector** (Comissão Permanente do Setor Social e Solidário) took root in 2015 (Decree-Law 120/2015 of 30 of June 2015), as a national strategic dialogue body for the cooperation between state and social SEOs including the three umbrellas of IPSSs and cooperatives and members of government from the areas of social security, health and education.

The **Economic and Social Council** (*Conselho Económico e Social*) is the body for the civic and social dialogue between economic and social agents. It provides the space for dialogue between the government, social partners and remaining representatives of civil society.

4.5. Research, education and skills development

4.5.1 Education and training

Portuguese universities and higher education institutes have shown interest in the areas of social and solidarity economy, social innovation, social enterprise and social entrepreneurship. A wide variety of post-graduate courses, particularly at a master level, have developed with different focus and disciplinary areas, particularly management and business, social work and sociology.

The skills required in the social economy and social enterprise domains have posed a long-term concern, particularly a lack of management skills. Most social economy umbrellas provide training and support for their members, both in their fields of action and toward organisational management skills, quality assurance, etc. Currently, specific funding applies under POISE, to build the institutional capacity of members of CNES partners. CASES, which has also provided training for capacity building, now manages a Database of Trainers for the Social Economy to satisfy demand from social economy or public organisations for training activities.

Some entities develop courses specifically oriented for capacity building of SEOs, such as EAPN-Portugal, Summer University Montepio/Autonomous University of Lisbon, A3S-Association for Social Entrepreneurship and Sustainability of the Third Sector. IES–Social Business School, with the brand “Powered by INSEAD,” offers intensive short training courses on social entrepreneurship.

Portugal – Social Innovation includes a stream to fund consulting and skills development of IIES. Capacity building for Social Investment supports consultancy expenses for the improvement of management and social innovation skills of SEOs

that have IIES. In the first call, 99 approved applications will receive a total 3,5 million EUR.²⁸

These programmes mostly lean toward practitioners or get offered at post-graduate levels, though they acknowledge the need to generate awareness of the social economy for younger students. For instance, one of the Social Economy Congress recommendations is the inclusion of social and solidarity economy issues and activities in schools.

4.5.2. Research

No observatories explicitly address the development of social enterprises, but several entities address issues related to the social and solidarity economy overall. However, **this area has a relatively weak tradition of research and much of the existing production has taken place under the wing of international projects. The need for further investment in research has been acknowledged**, namely in the Social Economy Congress recommendations.

CIRIEC Portugal presents the most relevant body on topics of the social economy and has participated in research and promoting events in partnership with its counterparts. Jointly with CASES, it lends a hand in developing the Portuguese Observatory of the Social Economy. This observatory produced a study characterising Portuguese cooperatives and contributed to the conceptual definition and delimitation of the field, collaborating in the design of the Social Economy Database.

ACEESA (*Associação Centro de Estudos de Economia Solidária do Atlântico*) based in Azores, promotes studies on social and solidarity economy topics. Some of these fields include local development, alternative finance, participatory democracy, equal opportunities, social and territorial cohesion. It publishes the only journal in the field, *Solidarity Economy Review* (*Revista de Economia Solidária*).

EAPN–Portugal, has produced studies monitoring policies and SEOs in the areas of employment and social welfare. It produced reports on social insertion enterprises and employment in the third sector, has produced studies characterising Portuguese NGOs and, more recently, a study on the impact of the crisis on the third sector. It regularly publishes *Cadernos EAPN*.

The **Satellite Account of the Social Economy** produced jointly by the National Statistics Institute and CASES presents a major endeavour for characterising the social economy and social enterprises in the social economy. In its current form it has two

(28) <https://inovacaosocial.portugal2020.pt/index.php/2018/03/20/capacitacao-para-o-investimento-social-aprovadas-99-candidaturas-no-valor-de-35-milhoes/> (Accessed September 2018).

publications with data from 2010 and 2013 and will release the next update with data for 2016.²⁹

Several **government departments from different ministries** produce data that, while mostly aimed at monitoring public policy, provide information on some sub-sectors of the social economy. These departments include the Cabinet of Strategy and Planning of the Ministry of Work, Solidarity and Social Security, which mostly produces data related to IPSSs and other SEOs with activity on social welfare like *Carta Social*—a database of all existing social services and providers that publishes regular reports.

Several projects of social economy, social entrepreneurship and social innovation, for instance, bloomed under Erasmus+. This program enabled partnerships between universities, research centres and SEOs to develop research and education on social economy, social entrepreneurship and social enterprises.

4.5.3. Labels, prizes and social reporting

Although no certifications, awards and prizes exist for social enterprises as such, numerous initiatives promote the social economy, social innovation and social entrepreneurship. This thereby boosts awareness around the projects, products and processes of organisations and initiatives of this third sector.

CRESAÇOR, a second level cooperative of social and solidarity economy organisations that aims to promote the solidarity economy movement in Azores, includes the label CORES among its capacity building activities, certifying the products of its associates from the social and solidarity economy, including the WISEs in its network.

Animar.com label on social innovation acknowledges socially innovative initiatives of SEOs, their professionals and volunteers in the field of local development. The principles include: participation, social innovation, gender equality, transparency and accountability, equity and inclusiveness.

In the context of the study MIES, the label **ES+** took form under the Institute for Social Entrepreneurship to identify initiatives with the potential for social innovation and sustainability according to the following criteria: social mission, impact in their environments, community empowerment, sustainability and scalability.

The national Council for the Social Economy works to put in place a **Permanent Database of Social Economy** (*Base de Dados Permanente das Entidades da Economia Social*), which will acknowledge SEOs according to the Framework Law definitions. The **Database of Trainers for the Social Economy** (*Bolsa de Formadores para Economia Social*), managed by CASES, includes certified trainers in areas such

(29) <https://www.cases.pt/contasatelitedaes/>

as social economy, management, accounting, marketing, entrepreneurship and social innovation, social impact assessment, NTIC, among others.

CASES manages the **Prize Cooperation and Solidarity António Sergio** that awards with 3.000 EUR initiatives that promote the social economy, including research, training, schools and SEOs innovative and sustainable projects. **Manuel António da Mota Prize** awards three initiatives of social economy and public organisations in specific themes chosen each year. Prizes amount to: 50,000 EUR, 10,000 EUR and 5,000 EUR, respectively. The **prize INSEAD Social Entrepreneurship** works to acknowledge social entrepreneurship initiatives tackling neglected problems in Portuguese society in an innovative, sustainable and efficient way. The award consists of a course on social entrepreneurship at INSEAD.

4.5.4. Incubators

Incubators help develop projects and organisations of social economy, social entrepreneurship and innovation, with the potential to support social enterprises. This type of infrastructure has expanded, particularly for promoting social entrepreneurship.

- > Coopjovem is a programme developed by CASES and incubates projects of young people's collective entrepreneurship. It includes training, business plan support and funding.
- > Social Entrepreneurs Agency is a multi-sectorial cooperative created in 2007 to support project development and implementation in social entrepreneurship. It has several projects aimed at training young entrepreneurs.
- > PAES Acceleration offers a Programme for Supporting Social Entrepreneurs managed by the QUANGO *Santa Casa da Misericórdia de Lisboa* in its Impact House (*Casa do Impacto*). It extends a hand to innovative projects developed in the social economy. It supports the development of sustainable business plans, thought planning, development and action, and thus potential social enterprises.

After some years awarding social innovation prizes, Fundação EDP now supports the establishment, implementation and development of social businesses from start-up to scaling up phases (Social Lab). It provides funding and capacity building to support business model definition and tailors other areas of assistance according to the needs of their participants (i.e. communication, legal, accounting).

The incubators dedicate themselves to accelerating and strengthening aspiring entrepreneurs. To receive this support, entrepreneurs must apply to calls for projects. Entrepreneurs get selected from a ranking and the best scores may receive a monetary reward.

4.5.5. Facilitators of learning and exchange platforms

Federative bodies and incubators offer learning and exchange opportunities. Besides these, some networks and agencies specifically dedicate themselves to these purposes. Among these, *Rede Rural Nacional* (National Rural Network) operates as a platform for sharing information, experience and knowledge amongst those involved in rural development policies and projects. Social Innovation Agency *animar.com*, for instance, provides a platform dedicated to spreading and acknowledging good practices, resources and skills. *ReCo. (Rede Cooperar)* compiles a network of producers and consumers committed to creating circuits and relations of proximity and mutual help, linking several alternative communities under the guiding principles of agroecology and permaculture.

In the field of social investment, recent consortia and platforms foment capacity building like Alliance for Social Impact, Social Investment Taskforce and Portuguese Working Group for Social Investment.

Fundação Calouste Gulbenkian and IES have also initiated the development of the social investment market. They set up the Social Investment Laboratory, now MAZE, which specialises in **policy experimentation, capacity building and the intermediation between projects and investors.**

4.6. Financing

Social enterprises fortunately can access a wide variety of funding sources, though they often face side-by-side competition with other SEOs or other commercial enterprises.

4.6.1. Demand for finance

Social enterprises usually dip into a complex mix of finance sources, combining public subsidies and contracts, user or member fees, property income, donations and grants, sales. All of these vary according to the type of organisation, activity and audience.

IPSSs do generate relevant resources through their activities such as user fees, sale of goods and services, membership fees, donations and other private transfers. The analysis of the income structure of several legal forms of IPSS or equivalent (mutual, mercy houses, foundations, associations and cooperatives) illustrates that—aside from social cooperatives—the percentage of sales and fees measures higher than subsidies and transfers (own resources ranked 64.1% in 2010) (INE/CASES 2013). This varies with different legal forms, as mercy houses and associations rely more on sales and

fees while mutual associations and foundations rely on sales and fees and property income. In mercy houses resources from sales and fees in social services represents 68.8 % and 88.3 % in their health and welfare resources.

User payments in cooperation agreements depend on their income. The IPSS must establish the financial equilibrium, as the sum transferred by the state remains essentially fixed per user (with some nuances introduced recently in the Cooperation Protocols). The evolution of some social services' rate of use for youth and the elderly showed that despite an increase in capacity, the rates of occupation lie below capacity and even decreased with the crisis. This may be due partly to the fact that some users cannot afford these services (GEP/MTSSS 2016).

Social cooperatives in health and wellbeing, social action and social security derive 31% to 35% of their resources from sales and fees and 63% to 66% from transfers and subsidies (INE/CASES 2013). One could explain the heavier compensation of public funding in this sector since cooperatives support people with disability (CERCIs) and users often cannot pay the high cost of services. The rates of occupation of services for people with disability reach almost 100%.

Foundations in education, health and culture derive more than 79% of their income from sales and fees, and those in social action and social security derive most of their resources from property and income (65.9%) (INE/CASES 2013). Despite the existence of social solidarity foundations in this field, these amounts are influenced by the financial weight of philanthropic foundations.

In 2010, IPSSs expenses included wages (31.5%), subsidies and transfers (27,5%) and intermediate consumption (21.3%). Expenses (5.344,4 million EUR) totalled higher than their resources (5,111.4 million EUR), leaving a financial demand of 232.9 million EUR. Broken down by legal forms in the broader social economy (not just IPSS), cooperatives, mutuals and foundations generated surpluses whereas mercy houses and associations experienced a deficit (INE/CASES 2013).

Mutual associations operate mainly in social insurance and health, supplementing public social security and hospitals and clinics, respectively. They may also provide social services open to the whole community under cooperation agreements. In 2010, 57.5% of income derived from sales and (more importantly) membership fees, and 38.3 % from property income, particularly in the case of those with financial activities (39.6%) or social security (35.1%). Transfers and subsidies have a low relevance (3.6%). Their social services activities explain the share of 19.7% in subsidies (INE/CASES 2013).

In a survey to a sample of 341 SEOs on the effects of the recent crisis, most organisations claimed a general reduction on all types of resources, public transfers and subsidies, individual and corporate philanthropy, and market sales. The crisis, affecting the users' income, the public budget, and private and

corporate philanthropy has negatively impacted the sustainability of organisations operating in welfare (Santos *et al.* 2016).

WISE, due to their orientation toward disadvantaged groups (specifically those under the framework of social insertion enterprises), relied highly on public funding for both investment and operational costs. The termination of this policy rendered these enterprises unsustainable. Currently, apart from Azores, WISE retain only residual support from policy. Employment promotion programmes tend to favour micro-entrepreneurship or address the mainstream economy.

In a study of 17 WISE in Azores carried out in 2010, they mostly operated in the competitive market (82%), with 36% of their income generated from sales, 50% from public or European project funding, 11% from bank loans and 4% from subsidies (ACEESA 2010: 6).

Start up and investment funding for socially innovative projects extends relatively easy access to social enterprises, mainly through corporate philanthropy or project funding by public programmes. However, guaranteeing long-term sustainability of operational costs poses another challenge entirely, and many projects find it difficult to survive beyond the termination of a grant.

4.6.2. Supply of finance

Public/government funds present an important source of social financing in Portugal, namely through public procurement. The case of cooperation agreements between public administration and IPSS merits notice as it has provided a stable source of funding for operational costs. The financial investment sources have tended to shift from public funding to a mix of public sources and bank loans.

Contractual arrangements in the fields of health and education have also offered another stable source of funding, although they tend to assume a more competitive nature and include commercial enterprises.

Several actors in the field consider loans as the best solution to cover financial investment needs. Several measures intended to support greater SEO access to bank loans, particularly since the creation of PADES and through the Emergency Plan³⁰ during the crisis.

(30) *Programa de Emergência Social* (Social emergency Program) was created in 2011 to support vulnerable people and institutions. It included 31 measures to support the elderly, disabled people and families, 5 to promote volunteering and 17 to support non-profit organisations, some to correct previous austerity measures. Among these included measures easing state regulations on social services, training, fiscal benefits, transfer of public services to non-profit organisations, access to credit, reinforcement of transfers and subsidies, new cooperation protocols that have been suspended, promotion of entrepreneurship and social innovation. Although extinct, some of the measures of this

Social Investe presents a guaranteed credit line for SEO in general and remains accessible to social enterprises, with the aim of bolstering their reinforcement and modernisation and ideally orienting toward investment and scale-up strategies. It includes warranty benefits under a mutual guarantee system, as well as interest rate subsidies and guarantee fees. The credit line is provided through CASES, IEFP and member bank institutes and mutual guarantee providers. The maximum amount of funding lies at 100,000 EUR per organisation or 95%. CASES certifies the capacity of the organisation applying for the credit and manages the state's part in the bonification of credit and the guarantee.

For the specific case of WISE, the public body Portuguese Employment and Vocational Training Institute (IEFP) has traditionally acted as the most important provider of funding. In the now-extinct insertion enterprises programme, the government subsidized the full costs of setting up and functioning plus 80% of workers' wages.

The National Microcredit Programme (*Sou Mais*), may also present a potential source of income for social insertion enterprises, micro-organisations and cooperatives of up to 10 workers with employment generation projects. So far, it leans toward investment and scale-up strategies. In 2017, it supported 235 initiatives, 141 from individuals and 94 from organisations, creating 324 jobs for 96% unemployed persons. The average investment measured 17,362 EUR (CASES, 2018).

One challenge with loans is that social enterprises need to generate enough long-term surplus to repay loans and interests.

Corporate philanthropy plays an increasingly relevant role though foundations or corporate social responsibility departments by allotting prizes and awards.

Specifically, commercial bank BPI presents interesting award competitions as part of its corporate social responsibility strategy. Such projects include *BPI Capacitar* for social economy projects in disability, *BPI Seniors* for projects addressing the needs of elderly people and *BPI Solidariedade* for projects fighting poverty and social exclusion. Each prize has a budget of 750,000 EUR to award initiatives that can cost a maximum of 200,000 EUR each. The Prize Fidelidade Community, started in 2017 by an insurance company, awards projects of institutions in disability and incapacity, health and old age. FACES—Funding and Support to Fight Social Exclusion, is a grant created by the mutual *Associação Mutualista Montepio* for innovative and sustainable projects to promote employment of people with disability, for social inclusion of children and youth at risk, for vulnerable families and homeless people. This grant faces no delineated financial limits.

programme persist, particularly transfers to non-profit organisations, that in 2016 implied 1.1 million EUR (IGFSS 2016).

At all kinds of levels, from local municipalities to corporate philanthropy, other competitions and prizes also focus on social entrepreneurship and innovations in the social economy or commercial sector. For instance, BipZip offers an innovative programme by the Municipality of Lisbon to support community-based projects in disadvantaged urban areas. Local municipalities present a relevant source of funding, particularly for investment or scale-up processes. Crowdfunding provides a new source of funding both for start-up and investment. At least two crowdfunding platforms, PPL and Massivemov, have proven relevant. EDP Foundation has a channel in PPL for crowdfunding a list of selected start-up projects.³¹

This short-term funding helps kick-start projects only in their beginning phases, and many of these projects do not survive the termination of the grant.

The programme Portugal–Social Innovation was conceived to experiment with alternatives for sustaining tested innovative projects through social finance. Two of the four support streams focus on these solutions: Partnerships for Impact and Social Impact Bonds.

Partnerships for Impact supports the scaling-up of IIES from SEOs with 70% subsidy, while social investors must provide the remaining 30%. These investors may be public, commercial or SEOs. In 2016, the program approved 36 partnerships, with a total funding pool of 7 million EUR.³²

Social Impact Bonds support innovative projects in the field of public policy, implemented by social economy or businesses in “payment by results” logic. The applicant partnership must include the implementing organisation, the social investor and the public agency from the policy area, which must confirm that the promised results will outperform public policy. Portugal–Social Innovation will reimburse the social investor if they achieve the desired results.

Articulated with this aim to promote a social investment market and in line with the EU strategy, other measures have taken form in the area of social bonds and other capital products, such as the Legal Regime of the Risk Capital of Social Entrepreneurship and of Specialised Investment (Law 18/2015 of 4 March 2015). The stock exchange regulator, *Comissão do Mercados de Valores Imobiliários* also issued a Regulation on Risk Capital, Social Entrepreneurship and Specialised Alternative Investment allowing and regulating social entrepreneurship funds and financial intermediaries (Regulation 3/2015).

(31) <https://ppl.com.pt/fundacao-edp>

(32) <https://inovacaosocial.portugal2020.pt/index.php/2018/06/16/concurso-parcerias-para-o-impacto-recebe-91-candidaturas-correspondentes-a-188-me-de-financiamento-publico-solicitado/> (Accessed September 2018).

To make social impact bonds more interesting for social investors, the state budget created a fiscal benefit in 2018. Enterprises investing in social impact bonds can include 130% of the amount invested as expenditure for effects of business tax.

Conventional banks do not offer specific products to social enterprises and no banks orient toward the social economy. They play a relevant role as lenders, particularly in programmes where a third party—often a public agency—provides collateral, or where a third party supports such interests. Such is the case of *Social Investe* and microcredit.

The lack of interest of financial institutions in social investment has justified one of the streams of the EU funded Portugal–Social Innovation, the Social Innovation Fund, created in 2018. It intends to promote the funding by credit institutions and others of financially sustainable mature IIES from SEOs or businesses. For SEOs, the fund will provide guarantees to credit institutions, so they can provide loans. For SMEs, the fund will enhance investments by social investors.

5


PERSPECTIVES

This section describes perspectives on social enterprises and stems from the generous stakeholders' feedback in the questionnaire. It allows the report to identify the main debates at the national level, the constraining factors and opportunities for the development of social enterprises, its trends and future challenges.

Because various actors interpret the meaning of social enterprises differently, they occupy different positions regarding their role. One must necessarily situate the different groups of stakeholders to provide a full account of what they mean.

Currently, in Portugal, the main constraining factor for the development of social enterprises comes in the lack of clear definition. A wide debate could further the understanding of the different meanings and standpoints, and would help to define the boundaries of social enterprises. This will probably arrive in a future development; some sort of legal definition may become inevitable due to many contributing factors.

On the positive side, one clearly perceives this area as full of vitality. So many different traditions—social economy, charitable, solidarity economy, and social business—may serve as proxies for Portuguese civil society changing towards a more active, responsible, participatory and democratic society.



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

Given the novelty and ambiguity of the concept in Portugal, the stakeholders' consultation included a section to perceive their perspectives on social enterprises. Their answers illustrate one difference in particular: **while some stakeholders discern that social enterprises do not exist *ex lege*, particularly with the meaning given by the EC definition, others consider their existence *de facto*.** When considering *de facto* social enterprises, different backgrounds shape different understandings.

These different lenses group social enterprises into three groups inside the social economy: some consider all social enterprises as social economy enterprises, others identify specific groups of organisations inside the social economy (with varying emphasis on the social, economic and governance dimensions), and still other consider social enterprise to occupy any legal form while emphasising the social and economic dimensions. In the latter aforementioned grouping, a difference of opinion exists in terms of considering *de facto* social enterprises as including both commercial and social economy enterprises, while others consider that social enterprises preferably operate as commercial businesses.

These different meanings share a common idea of combining economic activity and social purpose, but they diverge on the assumed meaning of “economy” (substantive or market), on the importance of the governance/democratic dimension, and on the meaning of public utility/social aims.

Table 3 clusters in different traditions an interpretation of the different stakeholders view on social enterprises, according to their identification of the main characteristics and legal forms.

Table 3. Stakeholders' view on social enterprises

| Defining characteristics | Legal form | Tradition |
|--|--|--------------------------|
| Enterprises perform entrepreneurial economic activity, autonomous from the state, produce goods and services, regulate resource distribution , aim for social utility/community or general interest and are organised democratically | Social economy organisations (Social Economy Framework Law) | Social economy tradition |
| Private enterprises, economic activity producing goods and services, with social aims/general interest , managed efficiently and not for profit | Private Institutions of Social Solidarity | Charity tradition |

| Defining characteristics | Legal form | Tradition |
|--|---|---|
| Operate in the market , demonstrate entrepreneurship and innovation , use surpluses for attaining their social aims, managed democratically and in a participatory way | Cooperatives, Mutual associations, Local development organisations, some IPSS | Social economy and associative traditions |
| Enterprise, meet social needs with positive and innovative social and economic impact , generate surpluses reinvested for social purpose | Businesses or SEO/ cooperatives | Business background and social economy traditions |
| Market Economic activity with a social purpose where profit takes a secondary role | Commercial business with B-Corp / commercial business with specific statutes | Business background |

These different ideas then shape debates at the national level. In any case, social enterprise is not a commonly used concept, even for the clearly defined organisations that have been the object of research, such as those under the IPSS statute, social solidarity cooperatives and social insertion enterprises or similar. The debate on the Framework Law of the Social Economy and the idea pushing specific legislation for social enterprises all contributed to shape stakeholders' perceptions. However, **the presence of the term in the EU structural and investment funds frameworks—namely Portugal 2020—and in the public procurement framework, requires a clear definition of the concept.**

Stakeholders agree that social enterprises are not generally acknowledged and have no legal recognition, although many disagree with the need for a (perhaps inevitable) statute or legal form in the first place.

In order to understand the debates, one must remain open to the fact that social enterprise means different things for different stakeholders, depending on various roots and drivers.

A consensus amongst stakeholders affirms that social enterprises and social economy enterprises will play an increasingly relevant role in social welfare.

Stakeholders of the charity tradition tend to imagine that social enterprises will become increasingly relevant as both the state and the market fail to address increasing social needs. Considering the growth in number and role of these organisations in welfare, this is not difficult to foresee. This forms part of a self-described identity of SEOs: organisations are innovative, more able to answer social needs due to their presence in the communities, more flexible and responsive than public services, and more sensitive to social needs than the market economy. They can provide innovative solutions

that create stable employment, further proximity to the territories, contribute to their sustainability, economic and social value, social inclusion and local cohesion, and receive recognition by the communities where they are embedded.

The crisis is also identified as a major driver of the emergence of social enterprises. One stakeholder points out that this trend has existed since the labour movements of the 20th century, up until the recent crisis and resulting austerity.

In this sense, social enterprises respond to a deep need for creating instruments that “give answers” to the market economy system. They aim to guarantee the access of goods and services to the most vulnerable, try to obtain surpluses that reinvest into these enterprises, create a transparent relationship in their management, integrate workers with difficulties of inclusion in the labour market, establish a relation of transparency with suppliers and other stakeholders, contribute to sustainable development and social and environmental responsibility. These objectives have developed in direct opposition to the effects of the neoliberal market economy.

Two camps share the feeling that the welfare state dances at a turning point.

One camp argues critically that the emergence of social entrepreneurship and social businesses demonstrates an outcome of neoliberal trends toward social policies in Portugal, which are enhanced by the recent economic and social crises, the loss of credibility of the political system and the inability of the social sector to find innovative solutions. Another camp from a more business tradition considers the emergence of these social enterprises as an effect of increasing needs and challenges—demographic, environmental and economic, diminishing public and private resources for the social economy, the emergence of a new generation of young entrepreneurs sensitive to social problems, and activism around social investment.

5.2. Constraining factors and opportunities

Stakeholders point to a particular constraining factor in their development: the lack of clarification of the concept of social enterprise, not only in legal terms but also in political, ideological and public opinions. This fault lies not only on the shoulders of public authorities, but also on the lack of reflection and debate within the social economy at grassroots and federative bodies levels, and at a wider social and political level.

Some stakeholders link the lack of clarification and debate to the fact that social enterprises have operated mostly on models that too closely resemble the market economy, leading to a bias and resistance to the concept.

Stakeholders tend to point out the lack of enabling policy measures clearly supporting both social enterprises and enterprises of the social economy. This includes the legal and the tax regimes, the lack of access to specific or new funding sources, the complexity of existing funding mechanisms, the lack of incentives to social investment and pay-by-results public procurement.

Some stakeholders identify constraining factors at the European level, such as the lack of political and legal recognition of the social economy, an unequal treatment of the social economy vis-à-vis social entrepreneurship and social business as an inconsistent legal framework not friendly to national contexts.

On the other hand, stakeholders identify several recent changes as enabling factors for the development of social enterprises or enterprises of the social economy, such as the Framework Law of the Social Economy and the visibility that the sector gained. This has combined with the capacity to demonstrate its social and economic relevance, and reinforced cooperation between organisations and public administration.

The programme Portugal–Social Innovation received attention from several stakeholders in the business tradition as an enabling factor for the development of social enterprises. They also pointed to the inclusion of social investment, social entrepreneurship and social innovation in Portugal 2020 strategy, the emergence of the social investor and the existence of business incubators and accelerators and intermediaries.

Other stakeholders point out general trends such as an increase in civil society organisations and a greater individual awareness of a person's capacity to influence solutions to relevant challenges. **New generations thirst for innovative, creative, sustainable and impactful solutions to the increasing social needs**—especially in health and social security—that the state and the market cannot answer. They seek to create a more favourable climate and reinvent ways of working in the social sector after years of austerity.

5.3. Trends and future challenges

Stakeholders were requested to name two scenarios and inquired their perspectives on future trends for social enterprise development. Some addressed the evolution of social enterprises from the current standpoint (a lack of consensus and ambiguity) but also pondered different traditions and types of social enterprises.

Some stakeholders perceive the development of social enterprises as social economy enterprises. **They foresee positive scenarios for the increasing recognition**

of social enterprises, and their capacity to answer current challenges with innovative action oriented to lasting social change, sustainable development and addressing inland depopulation and ageing.

On-going trends such as state decentralisation and the transference of some responsibilities to municipalities, may contribute to a scenario where SEOs become more structured at the local level and enrol in local pacts for social development with local authorities, SEOs and SMEs. Two types of social enterprise could develop: a) depending on proactive action by both government and SEOs, work integration social enterprises could undergo reform and overcome their limitations; b) social and solidarity economy-based social enterprises could develop in new areas, such as sustainable tourism, services for the elderly, culture and leisure, heritage and ICT.

Some stakeholders indicated **two contrasting scenarios**: a) the reinforcement of the principles and values of citizens' initiative, democracy, participation, autonomous management and reinvestment of most of the surpluses in social enterprises, connected to the recognition of the SEOs as social enterprises; b) the establishment of a version of social enterprise which opens its doors to capitalist enterprises pursuing social aims, with the risk that they compete with SEOs or/and bring a profit-seeking logic to the social economy.

Some stakeholders consider a possible scenario where nothing changes substantially, including in legal terms, given the existing resistance. Two types of social enterprises will continue developing: a) social enterprises incubated inside SEOs to generate income and b) some commercial enterprises will arise with governance documents reflecting the commitments typical of social enterprises.

Others see trends for social enterprise development in the establishment of a new market that values innovation and social entrepreneurship initiatives and a growing interest of the social investors and public programmes such as Portugal-Social Innovation. However, **it is not clear that the conventional private sector shows true interest in becoming social investors**. As one stakeholder explains, the lack of social and environmental legal frameworks and government supervision still pays-off in terms of allowing enterprises to avoid paying the negative costs of their activities and, therefore, it is not prone to developing corporate social responsibility awareness among Portuguese businesses.

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 (<i>not exhaustive list</i>) (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 ³⁴ . | <ul style="list-style-type: none"> > Whether the organisation is or is not incorporated (it is included in specific registers). > Whether the organisation 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%). | <ul style="list-style-type: none"> > 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). |

(34) 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 (<i>not exhaustive list</i>) (yes/no or range from low up to very high) | Initial minimum requirements (yes or no) | Examples/boundary cases comments |
|--------------------------------------|---|---|--|---|
| Social dimension (social aim) | <p>The social dimension is defined by the aim and/or products delivered.</p> <p>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.</p> <p>Product: when not specifically aimed at facilitating social and work integration of disadvantaged people, SEs must deliver goods/services that have a social connotation.</p> | <ul style="list-style-type: none"> > 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. | <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"> > 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 (<i>not exhaustive list</i>) (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) | <p>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 operationalised in different ways.</p> | <ul style="list-style-type: none"> > 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). | <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"> > 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 is 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 organisations | N° of workers | Turnover | Degree of reliability (1 to 4) and explanation |
|---------------------------------------|---|--|---------------------------------------|---------------------|---------------|----------|---|
| Mercy houses | Satellite account of the Social Economy Statistical register | Instituto Nacional de Estatística (INE) & Cooperativa António Sérgio para a Economia Social (CASES) National Institute of Statistics (NSO) & Promotion body | 2013 Every three years | ✓ | ✓ | ✓ | 4 - |
| Mutual associations | Satellite account of the Social Economy Statistical register | INE & CASES NSO & Promotion body | 2013 Every three years | ✓ | ✓ | ✓ | 4 - |
| Social solidarity cooperatives | Satellite account of the Social Economy Statistical register | CASES Promotion body | 2013 Every three years | ✓ | N.A. | N.A. | 4 - The number of workers is included in IPSS status count. |
| Associations (only IPSS) | Satellite account of the Social Economy Statistical register | INE & CASES NSO & promotion body | 2013 Every three years | ✓ | N.A. | N.A. | 4 - The number of workers is included in IPSS status count. |
| Foundations | Satellite account of the Social Economy Statistical register | INE & CASES NSO & promotion body | 2013 Every three years | ✓ | ✓ | ✓ | 1 - There is overlap in N. of workers in foundations with IPSS statute. Disaggregated data are not available. |

| Legal typology | Source of data (name, type & link) | Data provider (name & type) | Year of reference timeline of updates | N° of organisations | N° of workers | Turnover | Degree of reliability (1 to 4) and explanation |
|---|---|---|---------------------------------------|---------------------|---------------|----------|--|
| Cooperatives (public utility, ONGD, ONGPD) | Satellite account of the Social Economy Surveys covering specific samples | INE & CASES NSO & promotion body | 2013 Una tantum | √ | N.A. | N.A. | 4 - |
| Associations (development, housing and environment) | Satellite account of the Social Economy Statistical register | INE & CASES NSO & promotion body | 2013 Every three years | √ | √ | √ | 1 - To avoid duplications, we subtracted 161 associations with IPSS status, but they are still counted in the N. of employees, which include associations and cooperatives in this field. Included 361 workers from the 877 self-management initiatives in all fields. |
| Affordable housing cooperatives (development, housing and environment) | Satellite account of the Social Economy / Membership database Statistical register / surveys covering specific samples | INE, CASES & FENACHE NSO, promotion body & representative body | 2013 Every 3 years / una tantum | √ | N.A. | N.A. | 1 - All workers of cooperatives in development, housing and environment are counted. Disaggregated information on affordable housing cooperatives is not available. Total output of cooperatives in this field is counted. |

Appendix 3. Reference list

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Appendix 4. List of stakeholders engaged at national level

The set of 21 Country Reports updated in 2018 and 2019 included a “stakeholders engagement strategy” to ensure that key input from national stakeholders was incorporated. Four categories of stakeholders were set up: academic (ACA), policy maker (POL), practitioner (PRAC) and supporter (SUP). The stakeholders’ engagement strategy followed a structured approach consisting of a questionnaire, one or two stakeholders’ meeting (depending on the country) and one core follow-up group. Such structure enabled a sustained, diverse and committed participation of stakeholders throughout the mapping update process. The full names, organisations and positions of key stakeholders who accepted to have their names published are included in the table below.

| Full name | Organisation | Role | Stakeholder category |
|------------------------------|---|------------------------|----------------------|
| Filipe Almeida | Estrutura de Missão Portugal Inovação Social (EMPIS) | President | POL |
| Carlos Azevedo | IES - Social Business School | President, CEO | SUP |
| Rogério Cação | Confederação Cooperativa Portuguesa (CONFECOOP) | President | SUP |
| Manuel Canaveira de Campos | Individual | Senior expert | ACA |
| Tereza Côrte-Real | Fundação Vasco Vieira de Almeida | Project manager | SUP |
| Nuno Cunha Rodrigues | Instituto de Ciências Jurídico-Políticas da Faculdade de Direito da Universidade de Lisboa | Professor, Researcher | ACA |
| Marco Domingues | Associação Portuguesa para o Desenvolvimento Local - ANIMAR | President | SUP |
| Eugénio Fonseca | Caritas | President | PRAC |
| Helena Gata | Alliance for Social Impact Investment (ASII) | Senior expert | SUP |
| Isabel Mota | Fundação Calouste Gulbenkian MAZE | President | SUP |
| Pe. Lino Maia | Confederação Nacional das Instituições de Solidariedade (CNIS) | President | SUP |
| Nuno Mangas | Instituto de Apoio às Pequenas e Médias Empresas e à Inovação (IAPMEI) | President | POL |
| João Adelino Marques Pereira | Associação Portuguesa de Mutualidades (APM) | President of the board | SUP |
| Deolinda Meira | Instituto Superior de Contabilidade e Administração do Porto (ISCAP) - Instituto Politécnico do Porto | Professor, Researcher | ACA |
| Rui Namorado | Faculdade de Economia da Universidade de Coimbra (CECES / FEUC) | Professor, Researcher | ACA |
| Miguel Neiva | ColorADD | President, Founder | PRAC |

| Full name | Organisation | Role | Stakeholder category |
|--------------------------------|---|--------------------------------------|----------------------|
| Julio Paiva | Rede Europeia Anti - Pobreza (EAPN) | Chief Professional | SUP |
| Cristina Parente | Faculdade de Letras da Universidade do Porto (FLUP) | Professor, Researcher | ACA |
| Rita Calçada Pires | Faculdade de Direito – Universidade Nova de Lisboa. Commission Expert Group on the social business initiative (GECES) | Professor, Researcher, Senior expert | ACA |
| José Alberto Pitacas | Gabinete de Estudos Sociais e Mutualistas da Associação Mutualista Montepio | Director | SUP |
| Martins Rui | Dianova | President | PRAC |
| Julieta Sanches | Federação Nacional de Cooperativas de Solidariedade Social (FENACERCI) | President | SUP |
| Luís Alberto Silva | União das Mutualidades Portuguesas | President | SUP |
| Domingos Soares Farinho | Instituto de Ciências Jurídico - Políticas da Faculdade de Direito da Universidade de Lisboa | Professor, Researcher | ACA |
| Anonymous | --- | Chief professional | POL |

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