SOCIAL ENTREPRENEURSHIP IN EU, AUSTRIA AND SERBIA

A SHORT OVERVIEW AND RECOMMENDATIONS FOR AN EXCELLENT MODEL OF SOCIAL ENTREPRENEURSHIP IN SERBIA

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Rajna Cvetičanin, Siniša Tešić, Peter Csizmar, Georg Richter
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1. INTRODUCTION

In fall 2018, ipcenter.at GmbH from Vienna, Austria and the Cluster for Social Entrepreneurship from Novi Sad, Serbia applied for a seed-funding grant in the first Call for Proposals of the second cycle of the BACID fund, for a project on the subject of „Social Entrepreneurship“ (SE) Goal of the project is to examine the situation of SE in the EU, in Austria and in Serbia, as well as giving recommendations, based on the findings of the analysis of the current situation (especially in EU and Austria), in which direction SE should be developed in Serbia to achieve sustainable results in the future. The project was approved in spring 2019 and is fully implemented until end of July 2019. The BACID fund is financed by the Austrian Development Agency (ADA) and managed by the Austrian Association of Cities and Towns (AACT) and KDZ - Centre for Public Administration Research.

2. DEFINITIONS CONCERNING SOCIAL ENTREPRENEURSHIP

It has to be said, that there is no unified definition of Social Entrepreneurship in literature. Anyway, in this section the most important terms concerning SE will be explained for better understanding of the further text. Concerning the term Social Entrepreneurship itself, the most frequently used definitions in the international research concerning SE will be mentioned.

2.1. Social Economy

A significant proportion of Europe’s economy intends to make profits for people other than investors or owners. Known as the ‘social economy’, it includes cooperatives, mutual societies, non-profit associations, foundations and social enterprises. They operate a very broad number of commercial activities, provide a wide range of products and services across the European single market and generate millions of jobs. Social enterprises are also the engine for social innovation.

2.2. Social Entrepreneurship

The European Commission document “Social Business Initiative” defines a Social Enterprise as an enterprise which combines societal goals with an entrepreneurial spirit.
The most frequently used definitions are those of Dees, Mair and Marti or Austin et al.

Dees: Social entrepreneurs play the role of change agents in the social sector, by:
– Adopting a mission to create and sustain social value (not just private value)
– Recognizing and relentlessly pursuing new opportunities to serve that mission,
– Engaging in a process of continuous innovation, adaptation, and learning,
– Acting boldly without being limited by resources currently in hand, and
– Exhibiting heightened accountability to the constituencies served and for the outcomes created. (Dees 2001)

Mair / Marti: We view social entrepreneurship broadly, as a process involving the innovative use and combination of resources to pursue opportunities to catalyse social change and/or address social needs. (Mair und Marti 2006)

Austin et al.: We define social entrepreneurship as innovative, social value creating activity that can occur within or across the non-profit, business, or government sectors. (Austin et al. 2006)

**2.3. Social Innovation**

Two of the most common definitions are the following:

“Social innovations are new strategies, concepts, ideas and organizations that meet social needs of all kinds — from working conditions and education to community development and health — that extend and strengthen civil society. Social innovation includes the social processes of innovation, such as open source methods and techniques and also the innovations which have a social purpose — like microcredit or distance learning”.- Wikipedia

“A social innovation is a novel solution to a social problem that is more effective, efficient, sustainable, or just than present solutions and for which the value created accrues primarily to society as a whole rather than private individuals”.- Stanford Business Centre for Social Innovation

**2.4. Social Business**

Social business was defined by Nobel Peace Prize laureate Professor Muhammad Yunus and is described in his books.
According to Professor Muhammad Yunus Social Business can be defined as:

A non-dividend company that is created to address and solve a social problem.

In a social business, the investors/owners can gradually recoup the money invested, but cannot take any dividend beyond that point. The purpose of the investment is purely to achieve one or more social objectives through the operation of the company. The investors desire no personal gain. The company must cover all costs and be financially sustainable, while achieving the social objective in sectors such as healthcare, education, poverty, environment, housing, climate urgency etc. Once the investors have recouped the original investment, profit stays within the company to expand its outreach and increase the social impact.

2.5. Social Entrepreneur

According to Investopedia, a social entrepreneur is a person who pursues novel applications that have the potential to solve community-based problems. These individuals are willing to take on the risk and effort to create positive changes in society through their initiatives.

Examples of social entrepreneurship include microfinance institutions, educational programs, providing banking services in underserved areas and helping children orphaned by epidemic disease. Their efforts are connected to a notion of addressing unmet needs within communities that have been overlooked or not granted access to services, products, or base essentials available in more developed communities.

A social entrepreneur might also seek to address imbalances in such availability, the root causes behind such social problems, or social stigma associated with being a resident of such communities. The main goal of a social entrepreneur is not to earn a profit, but rather to implement widespread improvements in society. However, a social entrepreneur must still be financially perceptive to succeed in his or her cause. That have the potential to solve community problems.

2.6. Social Venture Capital

Wikipedia defines social venture capital as a form of investment funding that is usually funded by a group of social venture capitalists] or an impact investor to provide seed-funding investment, usually in a for-profit social enterprise, in return to achieve a reasonable gain in financial return while delivering social impact to the world.
It deviates from the traditional venture capital model, which focuses on simple risk and reward. However, there are various organizations, such as venture philanthropy companies and non-profit organizations that deploy a simple venture capital strategy model to fund non-profit events, social enterprises, or activities that deliver a high social impact or a strong social cause for their existence.

There are also regionally focused organizations (both for-profit and non-profit) that target a specific region of the world, to help build and support the local community in a social cause.

### 2.7. Social Return On Investment (SROI)

According to NEF Consulting Social Return on Investment (SROI) is an outcomes-based measurement tool that helps organisations to understand and quantify the social, environmental and economic value they are creating.

Developed from traditional cost-benefit analysis and social accounting, SROI is a participative approach that is able to capture in monetised form the value of a wide range of outcomes, whether these already have a financial value or not. An SROI analysis produces a narrative of how an organisation creates and destroys value in the course of making change in the world, and a ratio that states how much social value (in €) is created for every €1 of investment. The SROI method as it has been standardized by the Social Value UK, provides a consistent quantitative approach to understanding and managing the impacts of a project, business, organisation, fund or policy.

### 2.8. Non-profit organization

Non-profit organisations (NPO) are associations, foundations or organisations, which are not following commercial interests, but rather charitable social, cultural or scientific goals of its members.

### 2.9. Social sustainability

Social aspects are playing, besides egologic and economic viewpoints, a big role in sustainability. Social sustainability shall enable a stable society, in which all members can participate and which grants human dignity, human rights and labour rights for generations to come.
3. SOCIAL ENTREPRENEURSHIP SITUATION AND SPACE FOR IMPROVEMENT IN THE REPUBLIC OF SERBIA

3.1. Social entrepreneurship history in Serbia

Social Entrepreneurship in The Republic of Serbia begins in the 1950s and is about establishing employment for persons with disabilities. In today's form, social entrepreneurship has become interesting in 2008 after the global economic crisis in the world and even in Serbia. The quest for innovation and alternative solutions to economic problems and the development of entrepreneurship has led to the development of a social economy and social entrepreneurship. In the period after 2008, from the state level, Serbia has taken certain measures in order to encourage the development of social entrepreneurship, primarily by improving the legal framework, through programs for small and medium enterprises and training of the National Agency for Regional Development and the network of regional development agencies (In 2008, 17 Regional Agencies were active in the Republic of Serbia, active in all regions: Vojvodina, Belgrade, Central Serbia, Eastern Serbia, Western Serbia and South Serbia). In 2007, the development of a program for crediting start-ups in the Republic of Serbia started, which is not officially recognized as a social economy program, but the benefits in using funds from young and other hard-to-employ people are placed in the tool of development of social entrepreneurship in the Republic Serbia. At the same time, within the social economy there was mutual recognition and networking of social entrepreneurs and civil society organizations, with the aim of contributing to the development of social entrepreneurship through cooperation, knowledge exchange, experience and information.

3.1.1. Historical facts and analysis

The consequences of prolonged transition, poor and outdated social services, as well as a large number of socially excluded citizens have made individuals and groups increasingly decide to seek solutions for aggravated socio-economic problems themselves. The integration of refugees and internally displaced persons, then the needs of persons with different types of disability, unemployment are just some of the challenges that civil society organizations, primarily citizens' associations, and business initiatives create as forms of social entrepreneurship.

In the start of social entrepreneurship in Serbia stake-holders of social entrepreneurship are companies for employment of people with disabilities and non-governmental organizations
(foundations, associations and cooperatives). The data from 2014 says that in Serbia social enterprises deal with the following activities:

- Associations and foundations are engaged in education and training (31%), tourism and catering (18%) and culture and art (11.8%).
- Cooperatives come from the purchase and sale of agricultural products (61.9%), production of agricultural products (36.8%) and wholesale and retail trade (23.8%).
- Companies for professional rehabilitation and employment of persons with disabilities operate in the areas of printing and reproduction (28.9%), manufacture of clothing and footwear (20%) and furniture production (17.8%).
- Other types of social enterprises (agencies, incubators, spin-off companies) earn most from education and training (58.3%) and administrative services, accounting and accounting (13.3%).

Of the total number of founders and associations of citizens who have the primary social and humanitarian goal in the social enterprise, there is a percentage (44.1%), cooperatives with the goal of economic empowerment and employment from the total number of cooperatives participate with (88.7%), as well as companies for professional rehabilitation and employment of people with disabilities, meet social goals in (75%), while other types of social enterprises equally emphasize that their goals are economic empowerment and local and sustainable development. Education, promotion and information are equally represented in foundations, associations and other types of social enterprises (18.3% and 14.6%).

Non-government organizations, primarily citizens' associations, are also engaged in the provision of social services (a total of 126 - the inclusion of persons with disabilities in the manufacturing of products such as bags of recycled materials, ceramic products, and clothing. Services that include a severely vulnerable category (women, disabled people, Roma) preparing catering, bars where hard-working people work, services) mainly to persons with disabilities, children and young people with disabilities, elderly people, children in conflict with the law, and the like. This is also the most common type of activity in Europe and the activity from which social enterprises were created in many countries in the late seventies and early eighties. According to the current Law on Social Protection and the Rulebook on Licensing Social Protection Organizations, 130 licenses have been issued so far. The license is a public document confirming that the organization meets the established conditions for providing concrete services in the field of social protection.
3.2. Social Entrepreneurship current situation

3.2.1. Analysis of current situation

Social entrepreneurship greatly encourages the identification and resolution of social problems. In the conditions of dynamic modern societies, social entrepreneurship appears as a significant driver of social innovation and transformation of different social fields (health, environment, education, social protection, entrepreneurship development). Social entrepreneurship takes over and uses the opportunities that others fail to upgrade systems, design and expand new approaches and advanced sustainable solutions for creating social values. One of the basic specifics of the social values created by this path is the social and professional integration of disadvantaged workers as well as other vulnerable groups. The purpose of the concept of social pre-employment in its initial phase was to indicate a wide variety of production-service business organizations whose establishment, in the years of the growing crisis of the theory and practice of the welfare state, was not based exclusively on profit, but primarily on social motivation. Social enterprises contribute to the community in many ways: deliver goods and services (social, educational, health, etc.) to local communities and people who cannot pay them; contribute to the economic development of depressed communities; create new employment opportunities; enable labour integration for people with low chances of employment in the open market. They actually use funds that would not otherwise be allocated to respond to the needs of the community for prosperity and development. The success of these enterprises is not measured by the amount of profit achieved, but by the number of socially excluded people (women, minorities, persons with disabilities, young people) who, through them, have found and restored dignity, as well as improvements of any other kind in the social community.

According to the latest research (How to start social Entrepreneurship Business in Serbia, European Movement in Serbia, 2014), today in Serbia, there are about 1,200 social enterprises. If we exclude agricultural cooperatives, which still need to be transformed into modern cooperatives, it is estimated that there are more than 400 healthy and sustainable social enterprises in our country. About 3/4 of them are associations of citizens and foundations, while other legal forms include professional rehabilitation and work integration of persons with disabilities, companies (limited liability companies and entrepreneurs), cooperatives and endowments.

The development of social entrepreneurship in Serbia is largely limited and is at the level of initiatives that are unsustainable. The problem of social entrepreneurship in Serbia reflects in
the lack of understanding of social entrepreneurship among representatives of state institutions, who are in charge of the issue of social entrepreneurship, economy and population. In the Republic of Serbia, the competence of social entrepreneurship lies with the Ministry of Labour, Employment, Veterans Affairs and Social Protection. The competent ministry monitors social entrepreneurship as an entrepreneurship that contributes to the employment of a heavily vulnerable category of population. The Ministry of Economy has no contact with social entrepreneurship, which is not in line with the economic activity of social enterprises. The state institutions of the Republic of Serbia do not have a clear picture and vision of the social economy and social entrepreneurship.

3.2.2. **Key players**

By analysing the situation in the Republic of Serbia, different players in social entrepreneurship can be identified. The most active in the area of social entrepreneurship in Serbia are NGOs, the State has given the competence of social entrepreneurship to the Ministry of Labour, Social Protection, Veterans' Affairs and Social Affairs. In addition, the actors of social entrepreneurship are cooperatives, craftsmen and local producers of food products. The most common goal of social entrepreneurship is employment, there are only few initiatives that deal with environmental and educational goals.

Non-governmental organizations represent the most active group of people interested in social entrepreneurship. Since 2008, several non-governmental organizations have been dealing with issues of social entrepreneurship in Serbia (Smart Collective, European Movement in Serbia, Trag Foundation, Group 484, Ana Foundation and Vlade Divac Foundation). Non-governmental organizations program and project support initiatives in the field of social entrepreneurship. There is no systemic approach to social entrepreneurship, which is a problem, so that the initiatives that are helped by the cost of non-governmental organizations, after the completion of the project, are generally declining, for reasons of non-sustainability. Some non-governmental organizations have launched their own social entrepreneurial initiatives, which constantly support and work on their sustainability.

The authority in charge of social entrepreneurship is the Ministry of Labour, Employment, Veterans Affairs and Social Protection. Through several documents since 2008, the Republic of Serbia defined social entrepreneurship. Initially, the definition of social entrepreneurship referred to the employment of persons with disabilities and the law on professional rehabilitation and employment of persons with disabilities. After the initial definitions, the understanding of social entrepreneurship developed, so that the Strategy for the Development
of Small and Medium Enterprises in Serbia defines social entrepreneurship as an innovative approach to solving social problems. Understanding of social entrepreneurship by state institutions is limited and not understood in the right way. There is no clear approach for the development of social entrepreneurship in the Republic of Serbia. There is almost no regional and local approach to social entrepreneurship by state authorities, these are mostly individual initiatives. A much larger problem is the lack of interest of decision-makers at local levels of government in the Republic of Serbia in the possibilities of social entrepreneurship. Representatives of cities and municipalities have tools and opportunities for the development of social entrepreneurship and inclusion of harder employable categories in their communities. The Social Economy Development Funds are in the form of annual program funds in cities and municipalities, they are not interested in creating supporting documents or financial support lines for social entrepreneurship. At the level of the Autonomous Province of Vojvodina, the situation is better. The Secretariat for Economy and Tourism of AP Vojvodina created a council for the development of social entrepreneurship in 2017. After that, in 2018, the Secretariat for Economy and Tourism of AP Vojvodina established a financial program called Financial Support for Social Entrepreneurs in AP Vojvodina. The funds under this program are intended to increase the employment of the employable category of people in the enterprise, such as persons with disabilities, women victims of violence, young people without parental care, unemployed over 50 years of age. The program aims at strengthening the competitiveness of business entities that employ disadvantaged persons in the form of grants for the purchase of equipment or the implementation of a project for strengthening the competitiveness of the company.

3.3. Potential for improvement

The period of transition, the lack of work, the relatively poor payment power of the population, the conflicts and the instability of the system contributed to the fact that in the Republic of Serbia in the past 20 years the value of social entrepreneurship has not been recognized to the extent that it should be. Initiatives for working with social enterprises come from individuals and foreign companies in the Republic of Serbia who have corporate responsibility. Many of the parties involved in social entrepreneurship in the Republic of Serbia do not understand the concept of social entrepreneurship, but identify social entrepreneurship with humanitarian work and social responsibility. The big problem is also the word social, which the majority of the
population in the Republic of Serbia connects with something that is cheap, suspicious or uncompetitive.

3.3.1. Challenges of improvement

In the Republic of Serbia, the visibility of good initiatives and actions in the field of social entrepreneurship is low. Initiatives such as the Secretariat for Economy and Tourism of AP Vojvodina are almost invisible. With a clearer approach to decision makers in the Republic of Serbia, the state of social entrepreneurship would change for the better. By involving the ministry responsible for the economy, a clearer picture of social entrepreneurship and the need for economic activity and economic viability of socially owned enterprises would be obtained. The legal framework for the development of a social entrepreneurship that would recognize more social goals should be created and adopted. In support of the improvement of the framework for the development of social entrepreneurship, the proposal for the Law on Social Entrepreneurship by the Ministry of Labour, Employment, Veterans’ and Social Issues passed the public debate in 2018. The law should be adopted by the end of 2019. The current Proposal of the Law on Social Entrepreneurship in the Republic of Serbia refers to only one social goal that social enterprises should realize and that is employment. The law places great obligations on future enterprises in the form of employment of at least 5 persons out of which 3 persons from the category of difficulty employed (The category of difficult employable are: women victims of violence, persons with disabilities, young people under 30 without parental care, single parent, over 50 years of age unemployed more than 1 year long, former prisoners, persons with disabilities). The current draft law on social entrepreneurship has shortcomings and does not look at social entrepreneurship as an entrepreneurship that can contribute to the advancement of society in different areas. Social entrepreneurship is a wider concept of employment and it remains an open question in what form and what kind of social objectives the adopted version of the law will contain.

3.3.2. Added values for Social Entrepreneurship

The method of improving social entrepreneurship in the Republic of Serbia should introduce a change in the manner of emigration in a wide population. Youth education and understanding of social entrepreneurship as an entrepreneurship with opportunities could contribute to the development of social entrepreneurship in the Republic of Serbia. Creation of young leaders of social entrepreneurship and education of young economists, managers and future businesspeople in secondary schools and faculties on social entrepreneurship and additional
value for the society that entrepreneurship can bring, presents the possibility and the need for the development of social entrepreneurship in the Republic of Serbia. Education can be implemented as additional training programs or compulsory programs in existing curricula for economists or managers but also as separate programs that will create future bearers of social innovation and social entrepreneurship. This approach would lead to awareness raising among young people in business and the creation of successful socially motivated enterprises based on innovation.

In the era of digitization, social entrepreneurship needs to be promoted through the development of digital tools and services. The Republic of Serbia's economy is interested in solving problems, products and services that social enterprises can offer. By developing digital advanced services related to solving the problems of the economy (through the possibilities of resolving legal obligations in relation to social goals such as employment, ecology, and health care). With the digital web offering of products and services in order to solve the legal obligations of the economy, it is a pioneering step in the cooperation of social enterprises with the economy, but also in strengthening their competitiveness on the market. Social entrepreneurship should use the digital age approach and build visibility and success through social innovation of products and services.

The development of existing initiatives of social entrepreneurship, through the expansion of the social goal of successful social enterprises, can be the only possibility for the creation of the ideal model of a social enterprise. If most of the successful initiatives of social entrepreneurship solve the problem of employing hard employable workers, one should try to expand the social mission of these enterprises to an additional social goal of education, ecology or new forms of health care. This would enable a comprehensive approach and multi-dimensional approach to entrepreneurship for social goals. By returning to the beginning, social entrepreneurship in the Republic of Serbia is not, in most cases, in itself sustainable and requires a clearer and more concrete involvement of the State in the field of social entrepreneurship, but with the need to strive for excellence. By developing more diverse societal benefits in a socially owned enterprise through the economic activities of enterprises, greater social entrepreneurship progress will be made and better conditions for the advancement of society will be achieved, but the sustainability of such social enterprises should be taken into account.
4. SOCIAL ENTREPRENEURSHIP IN THE EU

Despite a growing interest in social enterprise and increasing levels of activity, there is limited understanding about the current state, size, and scope of social enterprises in Europe. To fill this gap, the European Commission launched a study in April 2013 as a follow-up to its 2011 Communication on the Social Business Initiative (SBI). This first-of-its-kind study maps social enterprise activity and eco-systems in 29 countries using a common definition and approach. Specifically, the Study maps the scale and characteristics of social enterprise activity in each country; the national policy and legal framework for social enterprise; support measures targeting social enterprise; labelling and certification schemes where these exist; and social (impact) investment markets. The Study also provides insights on the factors constraining the development of social enterprise and potential actions that could be undertaken at an EU level to complement and support national initiatives. It is based on: in depth review of national policy documents, academic and grey literature on social enterprise; and semi-structured interviews with a range of stakeholders such as social enterprises, policy makers, social enterprise networks, support providers, investors and intermediaries.

4.1. Operational definition of Social Enterprise in the EU

In order to measure and map social enterprise activity and eco-systems, it is important to first understand just what social enterprise is. The Study developed an operational definition that could be used to (a) distinguish social enterprises from mainstream enterprises and traditional social economy entities; and (b) map social enterprise diffusion and activity – in a consistent and coherent manner - across 29 countries with different economic and welfare contexts, traditions and social enterprise development pathways.

The Study did not develop a new definition of social enterprise; rather it ‘operationalised’ the existing and widely accepted notion of social enterprise as articulated in the European Commission’s Social Business Initiative (SBI) communication. The SBI definition incorporates the three key dimensions of a social enterprise that have been developed and refined over the last decade or so through a body of European academic and policy literature:

- An entrepreneurial dimension, i.e. engagement in continuous economic activity, which distinguishes social enterprises from traditional non-profit organisations/ social economy entities (pursuing a social aim and generating some form of self-financing, but not necessarily engaged in regular trading activity);
• A social dimension, i.e. a primary and explicit social purpose, which distinguishes social enterprises from mainstream (for-profit) enterprises; and,

• A governance dimension, i.e. the existence of mechanisms to ‘lock in’ the social goals of the organisation. The governance dimension, thus, distinguishes social enterprises even more sharply from mainstream enterprises and traditional non-profit organisations/social economy entities.

Each of the above dimensions were operationalised by developing a set of core criteria – reflecting the minimum a priori conditions that an organisation must meet in order to be categorised as a social enterprise under the EU definition.

The following core criteria were established:

• The organisation must engage in economic activity: this means that it must engage in a continuous activity of production and/or exchange of goods and/or services;

• It must pursue an explicit and primary social aim: a social aim is one that benefits society;

• It must have limits on distribution of profits and/or assets: the purpose of such limits is to prioritise the social aim over profit making;

• It must be independent i.e. organisational autonomy from the State and other traditional for-profit organisations; and,

• It must have inclusive governance i.e. characterised by participatory and/or democratic decision-making processes.

4.2. Application of the EU level operational definition to national contexts

Organisations fulfilling the ‘EU operational definition’ of social enterprise can be found in all 29 countries – either as part of, or alongside, national concepts, interpretations and definitions of ‘families’ of social enterprise. The EU operational definition however, represents the ‘ideal’ type of social enterprise – ‘national families of social enterprise’ generally share most, but not often all, of the criteria specified in the operational definition.

For example, concerning the governance dimension especially:

• Of the twenty-nine countries studied, twenty have a national definition of social enterprise, but in six of these countries, the definition does not require social enterprises to have ‘inclusive governance’ models. Similarly, in several of the remaining nine countries that do not have a national definition, inclusive governance is not seen as a defining characteristic of social enterprise;
• In most countries of Study, the criterion relating to ‘independence’ is understood/interpreted as “managerial autonomy” and/or “autonomy from the State”. Only in Italy and Portugal, do national definitions emphasise autonomy from the State and other traditional for-profit organisations.

Furthermore, in a few countries (Finland, Lithuania, Poland, Slovakia and Sweden), the notion of social enterprise as articulated in national laws and/or policy documents, narrowly focuses on work integration social enterprises (WISEs). This restricted definition excludes enterprises pursuing societal missions such as provision of social and educational services, environment, well-being for all, or solidarity with developing countries.

4.3. Visibility of SE in the EU

A number of countries have institutionalised the concept of social enterprise either by creating tailor-made legal forms for social enterprise and/or by a transversal legal status. Additionally, specific social enterprise marks or certification schemes can be found in four countries (Finland, Germany, Poland and the UK) to provide visibility and a distinct identity to social enterprises. Although growing in number, legally or institutionally recognised forms of social enterprise (where these exist) do not capture the ‘de-facto’ universe of social enterprise. De-facto European social enterprises are often ‘hidden’ among existing legal forms, most notably amongst:

• Associations and foundations with commercial activities;
• Cooperatives serving general or collective interests;
• Mainstream enterprises pursuing an explicit and primary social aim

4.4. Legal forms and statuses of SE in the EU

Social enterprises adopt a variety of legal forms and statuses:

• existing legal forms such as associations, foundations, cooperatives, share companies;
• new legal forms exclusively designed for social enterprises by adapting or ‘tailoring’ existing legal forms e.g. social cooperatives in Italy, Societe Cooperative d’Interet Collectifs (SCICs) in France, Community Interest Companies in the UK;
• legal status that can be obtained by selected or all existing legal forms, which comply with a number of legally defined criteria (e.g. social enterprise legal status in Italy or the Social Purpose Company in Belgium);
• new types of legal forms that allow traditional non-profit organisations to undertake economic activity such as e.g. Non-profit Institute in Slovenia.

4.5. Scale and characteristics of social enterprise activity in Europe

It remains highly challenging to measure and aggregate social enterprise activity across Europe given that much of it takes place ‘under the radar’. Moreover, national estimates of the number and characteristics of social enterprise – in the few cases where they exist - revealed a diversity of definitions and methods of data collection and estimation that makes aggregation problematic. Estimates of numbers of organisations that meet all of the criteria set by the EU operational definition used in this Study are even more difficult to establish. The mapping suggests that the level of social enterprise activity (based on the estimated number of organisations that meet all of the criteria set by the EU operational definition), relative to the number of ‘mainstream enterprises’, is small, perhaps in the order of less than 1 per cent of the national business population. However, the on-going withdrawal of public agencies from supplying social services of general-interest, increasing pressures on traditional non-profit organisations to diversify their income sources and rising interest in social innovation among mainstream enterprises suggest a strong growth dynamic in social enterprise across Europe.

4.6. Activities of SE in the EU

There is a lack of standard and consistently used classifications of social enterprise activity within and across countries. It is problematic to obtain a statistically robust picture of what European social enterprises do. However, a broad typology of activities can be drawn based on existing, if discrete, sectoral classifications:

• Social and economic integration of the disadvantaged and excluded (such as work integration and sheltered employment);
• Social services of general interest (such as long term care for the elderly and for people with disabilities; education and child care; employment and training services; social housing; health care and medical services.);
• Other public services such as community transport, maintenance of public spaces, etc.
• Strengthening democracy, civil rights and digital participation;
• Environmental activities such as reducing emissions and waste, renewable energy;
• Practising solidarity with developing countries (such as promoting fair trade).
Whilst seeing an expanding array of activities by social enterprises, in certain countries the legal definition of social enterprise reduces the allowable range of activity. One example would be understandings of activities contained within legal definitions of ‘public benefit’ which are held by de facto social enterprises in a number of countries such as Austria, Bulgaria, the Czech Republic, Germany and Switzerland. Overall, as European social enterprise has developed, the main activity fields of work integration and welfare service provision are being expanded to sectors of general-interest other than welfare, such as the provision of educational, cultural, environmental and public utility services. Nevertheless, as identified by the EU SELUSI project, there exist important and substantial cross-country differences in the nature of activities undertaken by social enterprises.

4.7. Sources of SE in the EU

While for-profit enterprises usually base their business models on revenues generated through trading activity, social enterprises typically adopt a ‘hybrid’ business model i.e. they derive their revenues from a combination of:

- Market sources e.g. the sale of goods and services to the public or private sector; and
- Non-market sources e.g. government subsidies and grants, private donations, non-monetary or in-kind contributions such as voluntary work etc.

Social enterprises thus, rely on a mix of revenue streams. The main revenue streams can be described as follows:

- Revenue derived from public contracts: Social enterprise contract with public authorities and agencies to receive fees for defined services (quasi-markets). The structure of these payments can be quite different, varying from direct payment by public authorities to social security systems, voucher systems, or indirect payment through third-party intermediaries;
- Direct grants / subsidies: provided to social enterprises by public authorities e.g. grants for specific project based activity, employment subsidies are often made available to WISE as ‘compensation’ for employing people with impaired work ability and for the resulting productivity shortfall;
- Market based revenue derived from private sources: through the sale of goods and services to other businesses and final consumers;
- Membership fees, donations and sponsorship; and
• Other forms of revenue include income from renting assets (such as property), penalty payments, prize money or income from endowed assets, and non-monetary forms such as in-kind donations (e.g. old IT equipment, food or building material). Volunteering time, especially, has remained an important source of in-kind revenue.

Country Reports show that public sector funding dominates the revenue streams of social enterprises, reflecting in large part their missions and activity focus such as work integration, and provision of social and welfare services. The main drivers of creation of social enterprise activity and the varied modes of creation of European social enterprise

4.8. Modes of creation of European SE

Systematic evidence on the type and prevalence of modes of creation of European social enterprise is lacking. However, evidence from country reports suggests that public sector contracting and active labour market policies of the Government play an important role in stimulating the creation and development of social enterprise. Looking across Europe, a potential typology of modes of creation can be put forward – with the balance of modes in any one country strongly determined by the pre-existing political economy and shaped by the national framework conditions and ecosystem for social enterprise. Individual modes can be grouped based on their drivers: ‘citizen-led’; ‘marketization of traditional non-profit organisations such as charities, associations, foundations, voluntary and community organisations’; and ‘public sector restructuring’.

Citizen-led

• Citizen-driven mission organisation: whereby groups of citizens have set up organisations, often with few resources at their disposal, to address new needs and societal challenges and/or integrate disadvantaged people through work. This is by large the predominant mode of creation of social enterprises.
• Social start-up: a social entrepreneur sees the opportunity to trade a new good or service to meet a social aim or need. Generally, these social enterprises are viewed as more individual based and commercial in outlook from the start (but nevertheless with a social mission), and associated with a narrower ‘Anglo-Saxon’ understanding of social entrepreneurship.

Traditional non-profit organisations such as charities, associations, foundations, voluntary and community organisations embark on marketization and commercialisation
• An existing organisation transforms itself into a ‘social enterprise’: an existing voluntary organisation, charity, association or foundation begins to generate traded income and reaches a traded income threshold as a proportion of all income whereby the organisation is understood by stakeholders to be, or becomes, a social enterprise.

• An existing organisation sets up a trading arm, which is the social enterprise: in many instances legal, regulatory or risk appetite precludes an existing voluntary organisation, charity, association or foundation from undertaking economic activity or only doing so to a certain limit. To overcome this restriction a trading arm is created - and which reinvests a certain level of profits in to its parent organisation. This mode of creation is relatively popular in new member countries of central Europe.

Public Sector Restructuring

• Public sector spinout (opportunity entrepreneurship): management/staff recognise the greater potential for innovation and new investment sources through autonomy and independence, leading to a spin out of the service. This process may actively be supported by the ‘parent’ institution or policy makers more broadly through specialist advisor programmes, investment and finance support and initial service procurement agreements;

• Public sector spin-out (necessity entrepreneurship): drivers such as shifting views on the role of the state in provision, new forms of procurement and provider, social innovation and/or funding cuts lead to an enforced 'decommissioning' of an internal public service and an enforced (but possibly supported) 'spin out';

4.9. Eco-systems of support for social enterprise

The conceptualisation of a social enterprise eco-system is based on commonly recognised features able to contribute to providing an enabling environment for social enterprise including the potential to address key constraints and obstacles

4.9.1. National policy frameworks for social enterprise

22 out of 29 European countries studied do not have a specific policy framework for supporting the development of social enterprise (although seven are in the process of developing one). Where policies exist, they differ widely in scope, coverage and content. As a mapping project, it was not the remit of this Study to assess the effectiveness of national policies.
4.9.2. National legal frameworks for social enterprise

Five countries have created new legal forms for social enterprise by adapting or tailoring existing legal forms. Two main approaches can be observed across Europe:

- In four countries (France, Greece, Italy and Poland) a separate, new legal form for social enterprise has been created by adapting the cooperative legal form. Additionally, five countries recognise social cooperatives (or the social purpose of cooperatives) in their existing legislation covering cooperatives. These are: Croatia, Czech Republic, Hungary, Portugal and Spain.
- The UK has developed a legal form for use by social enterprises (Community Interest Company) that specifically adapts the company form.

Creation of a social enterprise legal status. Seven countries have introduced transversal ‘legal statuses’ that cut across the boundaries of various legal forms and can be adopted by different types of organisations provided they meet pre-defined criteria. These countries are: Belgium, Denmark, Italy, Finland, Slovakia, Slovenia and Lithuania. Other countries planning to create social enterprise legal statuses include Latvia, Luxembourg, Malta and Poland. In addition the Czech Government is considering introducing a legal status for social enterprise in 2015.

4.9.3. Business development services and support schemes specifically designed for social enterprises

A number of countries have initiated a broad variety of business development services and support schemes specifically designed for social enterprises and social economy entities more widely. For example, in Sweden the public support initiatives are narrowly targeted at WISEs, while in countries like Belgium, France, Luxembourg, Portugal and Spain, the support is targeted at the much broader social/ solidarity economy. There are also a number of European countries that have very limited or no publically funded schemes specially designed for and targeting social enterprises. This is particularly the case in newer Member States, particularly from Eastern Europe. However, there are also a few examples of older Member States where publicly funded schemes targeting social enterprises are very limited or non-existent, including Austria, Finland, Germany, Ireland, and the Netherlands. In a few countries (Finland, Netherlands), it has been a deliberate policy choice to not develop bespoke schemes for social enterprise.

European Structural Funds (ERDF and ESF) have also played a key role in many countries (particularly new Member States such as Bulgaria, Poland, Romania, Hungary, but also older Member States such as Italy and the UK) in raising the visibility and profile of social enterprise.
through awareness raising activities such as events, workshops, awards/competitions and pulling together a fragmented community of actors - and also contributed to financing the creation of new social enterprises.

Across Europe, the following typology of public support measures has been identified:

- Awareness raising, knowledge sharing, mutual learning;
- Specialist business development services and support;
- Investment readiness support;
- Dedicated financial instruments (e.g. social investment funds);
- Physical infrastructure (e.g. shared working space); and
- Collaborations and access to markets.

4.9.4. Networks and mutual support mechanisms

Social enterprise networks and/or some form of mutual support structures exist in almost all countries. The experience of Italy, France and the UK shows that these can play an important role in supporting the development of the sector by offering support, guidance and advice, as well as acting as an advocate for the sector.

There are also a limited, but growing number of social enterprise incubators, mentoring schemes, specialist infrastructure and investment readiness services across the EU (examples can be found in countries like Belgium, France, Germany, the Netherlands, Slovenia, Hungary, etc.).

4.9.5. Social impact investment markets

The importance of gaining access to finance relates to the particular mode of creation and business model. As business models move towards greater levels of earned (or traded) income, so evidence suggests that, like any other enterprise, social enterprises need external finance to start-up and scale their activities. Similarly, in common with any start-up, new or small business – unless holding property - social enterprises face problems of access to finance due to track record, lender transaction costs and so on. However, given their specific characteristics (especially around governance), accessing finance from traditional sources can be particularly problematic for social enterprises. Measures to improve access to finance have included:

**Dedicated financial instruments** – Given that social investment markets are currently underdeveloped in most European countries (and at best, nascent in the more ‘advanced’ countries like France and the UK), governments can play a key role in designing dedicated financial instruments (using public funds to provide loan or investment (equity) facilities).
Interesting examples of publicly funded dedicated financial instruments can be found in Belgium, Denmark, France, Germany, Poland and the UK; and,

**Social impact investment markets** - Social investment (or impact investment as it is more commonly known outside Europe) is the provision of finance to organisations with the explicit expectation of a social – as well as a financial – return and measurement of the achievement of both. The potential balance between the two forms of return (what type and scale of financial return and what type and scale of social impact) implies the possibility of a substantial range of investors, investment products and investees.

4.9.6. Impact measurement and reporting systems

Very few countries have nationally recognised systems or common methodologies for measuring and reporting social impact. Moreover, where they exist they do not tend to be mandatory to use for social enterprises

4.9.7. Marks, labels and certification schemes

Marks, labels and certification systems for social enterprises are not particularly widespread across Europe, but have been implemented in four European countries. However, only a very small number of social enterprises are currently using these marks and labels.

4.10. Barriers and constraints to the development of social enterprise

Notwithstanding the above developments, social enterprises across Europe continue to face a number of barriers. Although barriers are context driven and country-specific, they typically relate to:

- **Poor understanding of the concept of social enterprise**: Recognition of the term ‘social enterprise’ by policy makers, public servants, the general public, investors, partners and prospective customers was seen as low. There are also issues around perception. For example, in some countries the public associates the term ‘social enterprise’ with the activities of charities or work integration of disadvantaged and disabled people, and not entrepreneurship. Misunderstandings and lack of awareness negatively affects social enterprises growth and financing prospects and is also a pivotal factor in preventing development of relations with customers.

- Lack of specialist business development services and support such as incubators, mentoring and training schemes, investment readiness support etc. Most social enterprise support needs are similar to those of mainstream businesses, but at the same
time social enterprises have specific features (their dual missions, business models, target groups, sectors of activity etc.) that create complex needs which require diversified and, at times, tailored solutions. In most countries, specialist support for social enterprises is largely absent and, where it exists, it is limited and fragmented.

- Lack of supportive legislative frameworks: The lack of legal recognition of social enterprise in many countries makes it difficult for authorities to design and target specialist support or fiscal incentives for social enterprises;

- Access to markets: Inadequate use of social clauses, current public procurement practices (large contract sizes, disproportionate pre-qualification requirements, etc.), payment delays all reportedly make it difficult for social enterprises to effectively compete in public procurement markets;

- Access to finance: Conventional investors and lenders do not typically understand the dual purpose and hybrid business models of social enterprises. However, specialist investors, financial intermediaries and instruments are currently non-existent or under-developed in most European countries. Consequently, social enterprises find it difficult to access finance from external sources;

- Absence of common mechanisms for measuring and demonstrating impact: Currently measuring or reporting of social impact by social enterprise in most countries is very limited (except where mandatory). Consequently, information is lacking on the societal impact of these organisations and awareness of ‘the difference that social enterprise makes’. Impacts need to be demonstrated for the benefit of funders and investors and to comply with public procurement rules. Development of common social impact measurement systems could result in more transparency, accountability, better recognition of the impact of social enterprises and hence more interest, from private investors and wider public.

The general economic environment is currently viewed mainly as a constraint on the continued development of social enterprise (via cuts in public spending which remains the dominant source of income of social enterprises) with potential opportunities yet to be fully exploited (new areas of activity and diversification of markets and income sources).

The survival and growth of social enterprise is also constrained by internal factors such as lack of viable business models (particularly, in the case of social enterprises with a traditional non-profit provenance), high reliance on the public sector as a source of income, lack of commercial
acumen/ entrepreneurial spirit and managerial and professional skills/ competencies necessary for scaling-up activity.

4.11. EU support for SE

4.11.1. The Social Business Initiative

The social business initiative (SBI), launched in 2011, aims to introduce a short-term action plan to support the development of social enterprises, key stakeholders in the social economy and social innovation. It also aims to prompt a debate on the avenues to be explored in the medium/long term. There are 11 priority measures, organised around 3 themes

Theme 1: Making it easier for social enterprises to obtain funding

- Action 1: Put forward a European regulatory framework for social investment funds.
  - Regulation on European Social Entrepreneurship Funds (EuSEF)
- Action 2: Encourage the development of microcredit in Europe, specifically by improving the related legal and institutional framework.
  - Microcredit
  - European Code of Good Conduct for Microcredit Provision
- Action 3: Set up an EU financial instrument to provide easier access to funding.
  - EU programme for Employment and Social Innovation (EaSI)
- Action 4: Make social enterprises an investment priority of the European Regional Development Fund and European Social Fund.
  - Thematic guidance on Social Economy and Social Enterprises from the Directorate-General for Regional Policy

Theme 2: Increasing the visibility of social entrepreneurship

- Action 5: Identify best practices by establishing an exhaustive register of social enterprises in Europe.
  - A map of social enterprises and their eco-systems in Europe
- Action 6: Create a public database of labels and certifications applicable to social enterprises in Europe.
  - Database of labels and certifications
- Action 7: Help national and regional governments introduce measures to support, promote and finance social enterprises.
- National and regional administrations - promotion of mutual learning and their capacity building: Guide to social innovation

- Action 8: Create a multilingual information and exchange platform for social entrepreneurs, business incubators and clusters, as well as social investors. Increase the visibility of EU programmes to support social entrepreneurs and make it easier to obtain funding.

- Social Innovation Community (former Social Innovation Europe Platform - electronic data exchange platform for social investors and entrepreneurs)

- Access to EU education and training programmes

**Theme 3: Making the legal environment friendlier for social enterprises**

- **Action 9:** Simplify the rules regarding legal recognition as a European Cooperative Society; put forward a regulation creating a legal status for European foundations. Conduct a study on the situation of mutual societies.
  - Simplification of the European Cooperative Regulation - please see Report from the Commission 23 February 2012
  - Proposal for a regulation on the statute for a European Foundation (adopted by the Commission 8 February 2012)
  - Study on the situation of mutual societies and their cross-border activities (received by the Commission 12 October 2012)

- **Action 10:** Make quality and working conditions more important criteria for the awarding of public procurement contracts, particularly for social and health services.
  - Enhancement of the element of quality in awarding contracts in the context of the reform of public procurement (adopted by the Commission 20 December 2011)
  - Procurement opportunities for social enterprises under the new EU procurement rules (June 2014)

- **Action 11:** Simplify the rules for awarding public aid to social and local services (which would benefit many social enterprises).
  - Simplification of the implementation of rules concerning State aid to social and local services
  - Commission staff working document: Guide to the application of EU rules on state aid, public procurement and the internal market to SGEI, and in particular to social services of general interest
4.11.2. The Commission Expert Group on Social Entrepreneurship (GECES) - recommendations

In 2016, the GECES report made 13 recommendations for concrete actions to tackle the issues currently preventing the social economy and social enterprises from working to their full potential. These recommendations are presented below.

Towards increased visibility, recognition and identity
1. The European Commission, the Member States and social enterprise organisations shall gather stronger evidence on social enterprises’ added value and communicate it better.
2. The European Commission, the Member States, regional and local authorities, and social enterprise organisations should nurture a more assertive and coordinated social enterprise community.
3. The European Commission and Member States, as well as their local and regional authorities, should mainstream the social enterprise dimension in relevant policies, programmes and practices. They should consult with and engage social enterprises as much as possible in the creation of new policies and actions. Social enterprise organisations should actively promote and use these opportunities.

Improving access to funding
4. The European Commission and Member States should provide increased resources to training programmes, incubators and intermediaries that provide tailored capacity building support to social enterprises required to build their managerial skills and to encourage their financial sustainability.
5. The European Commission, the Member States and organisations from the social enterprise funding community should implement concrete measures to unlock and attract more funding that is better suited to social enterprises.
6. The European Commission and the Member States should continue to direct public funding to mobilise private capital, through investment in and de-risking of social enterprise funders, as well as by putting proper governance structures in place.

Improving the legal environment
7. The Commission should propose a soft legal measure, which could help Member States design an adequate framework to support the flourishing and expansion of social enterprises.
8. The Commission and the Member States should stimulate cross-border operations for mutuals and cooperatives to enable them to use the full potential of the Internal Market in order to expand their activities.
9. Public buyers should make the best use of the new public procurement rules and insert social considerations, including reserved contracts for the social and professional integration of disabled and disadvantaged persons (art. 20) as well as health, social and cultural services (art.77), in their tendering procedures.

10. The Commission and the Member States should increase awareness of state aid rules and their impact on social enterprises providing a service of general economic interest (SGEI).

**Driving international development and growth**

11. The European Commission/EEAS should contribute, through the next cycle of its international development programmes, to a significant and ongoing increase in open source intelligence about the social economy and social enterprises, and support ecosystems globally.

12. The European Commission should take a leading role in fostering global cooperation to support the social economy and social enterprises by acting as a market convener and harnessing knowledge exchange.

13. The European Union and the EEAS should mainstream tailored support in all its existing and future policies and initiatives and international negotiations promoting social and economic development (cooperation and development, foreign policy, trade policy, neighbourhood policy etc.) and embed social enterprises and the social economy more broadly in strategic thinking in order to build supportive ecosystems as reflected by the pillars of the Social Business Initiative.

GECES is continuously monitoring the progress concerning the recommendations given.

5. **SOCIAL ENTREPRENEURSHIP AND SOCIAL BUSINESS IN AUSTRIA**

5.1. **Current situation of SE in Austria**

In 2013, the Vienna University of Economics & Business conducted a report that maps out the current state of the social entrepreneurship network in Austria. The study identified 237 initiatives in the country, and interviewed 105 of them. It reveals that in addition to these, the Austrian social entrepreneurship network also includes eight organisations supporting social entrepreneurship initiatives, one of which is Impact Hub Vienna. These organisations not only support and connect social initiatives but are also closely connected to one another and often organise common events or initiate common projects. The study reports that the most important areas of activity for the social enterprise initiatives in Austria are education, regional or local development projects, (re)integration in the labour market, projects in developing countries as well as those with a focus on environmental protection. Typical target
groups include children and youth, sustainable consumers, people from developing countries, as well as the general public. The study further identifies their financial resources (average annual budget of 30,000 EUR), as well as the ways social enterprises differentiate themselves from NPOs through financial independence, legal form as well as the image of the social entrepreneur. The report concludes that the Austrian social enterprise network is heterogeneous in terms of both areas of activity and understanding of social entrepreneurship.

5.1.1. Definition and Concepts

There is no official definition of social enterprise in Austria. Traditionally, social enterprise has been largely understood as work integration social enterprises (WISE) either in the form of socio-economic enterprises and non-profit employment projects / companies. New forms of social enterprise that offer market oriented services in support of a social mission are slowly emerging.

5.1.2. Networks and Mutual Support Mechanisms

There are two main networks in Austria, BDV Austria (Bundesdachverband für soziale Unternehmen) and „Sozialwirtschaft Österreich“ which represent WISEs and social services providers, respectively. Newer types of social enterprises do not have a comprehensive network representing them, although some umbrella networks do exist, at a global level e.g. Impact Hub, Ashoka and the ‘Architects of the Future’.

5.1.3. Marks, Labels and Certification Systems

There are no marks, labels or certification systems for social enterprises. There is however, a quality label or ‘seal of approval’ for WISE. BDV Austria has developed a label (called Gütesiegel für Soziale Unternehmen) to certify SÖBs and GBPs that consistently meet a certain quality level.

5.1.4. Social Impact Investment Markets

In Austria, there are only a handful of specialist providers of finance specifically targeting social enterprises. A social impact investment market is however, slowly emerging. For the time being, social enterprises have to rely on the same sources of finance as mainstream enterprises. It is generally, difficult for social enterprises to find their way among the various sources of finance potentially available to them, knowing that each actor will have its own language and expectations about social enterprises. In parallel, on the supply side, providers
of social finance find it hard to identify social enterprises meeting their specific investment requirements.

5.1.5. Spectrum of Social Enterprise

WISEs (SÖBs and GBPs) are the only institutionalised form of social enterprise in Austria. A vast majority of social enterprises operate under the radar, registering themselves as associations; limited liability companies (GmbHs)/ not-for-profit limited liability companies (gGmbHs).

5.1.6. Scale and Characteristics

The number of social enterprise is estimated to be between 200 (SÖBs and GBPs only) and 750 (source: European Commission report, 2016). The latter figure comprises associations with a social aim and commercial activities and private limited companies with a public benefit status (gGmbH). The primary mission of SÖBs and GBPs in Austria is to provide full work integration for disadvantaged people. Typically, they are active in sectors such as recycling / repairing / maintenance; catering / kitchen services; green space management; home services / cleaning etc. Other types of social enterprises engage in wider fields of activity, moving beyond work integration.

5.1.7. Factors Constraining the Start-up and Development of Social Enterprise

There is considerable interest in social enterprise. Support is available as part of wider business support programmes. The major constraint would appear to be the lack of investor interest in, and investment capital for, social enterprise.

5.2. Types of Social Businesses in Austria and Case studies

5.2.1. Integrated Social Business – Target group as employees

A major part of the Social Businesses in Austria are in this category: they are about projects that are targeting a special underprivileged population by integrating them through (paid) labour in the social life of their community, thus improving their living circumstances. The spectrum is rather broad. Some businesses provide services, which can be delivered only by members of the target group, like in the interactive exhibition „dialogue in the dark“ . Others like the longboard producer „Ruffboards“ produces together with the target-group products which are sold on the market. In many cases, counselling, coaching or social work measures are offered in addition to the workplace. Many of the Socio-economic operations and the
members of the Federal umbrella organization for social enterprises (Bundesdachverbands für Sozialunternehmen BDV) are also members of this category. Based on a broader definition, where service contracts are treated as market income, they are also to be treated as Social Businesses.

5.2.1.1. Case study integrated social business – target group as employees

The project „The Connection – Café with a good conscious“ is an example for integrated Social Business, which includes the target group as employees. It offers young people with migrant background a temporary job in a Café in Vienna’s 9th district. The business model foresees that the project finances itself from the income of the Café. The young people can take a foothold here and gather work experience. Besides that, lectures in German are organized, as well as workshops. A mentoring program is also in place, which offers comprehensive support for job-seeking and professional orientation. The impact of „The Connection“ therefore is much broader, than a simple labour market integration: the juveniles quite often do not have basic competences like being on time, or having a sense for responsibility, which is necessary to persist in a regular job. Many of these competencies they achieve during the workshops. They lack support from their families, which is compensated by the mentors. In this way their chances and self-esteem is strengthened. Besides the juveniles, who are the most important stake-holder group, „The Connection“ also has positive impact on the mentors, leaders of workshops and other employees. This can be said also for the visitors of the Café. An evaluation by using the Social Return of Investment analysis of the NPO&SE centre of competency from the year 2014 has given a value of 3,28 €. Every Euro invested in „The Connection“ creates a monetarized counter-value of 3,28 €. The project can be called very successful and effective. (Rauscher und Pervan 2014)

http://theconnection.at/

5.2.2. Integrated Social Business – target group as clients

Another type of Social Business includes its target group also in the business model, but not as employees, but rather as clients. The manufactured product or service shall be directly be provided to a (underprivileged) part of the population or the population of a developing country. In this category there are some innovative technology companies, like „Helioz“ or „fairwind“, whose products improve the living conditions of people in poor regions of the world. The target group is treated as clients and pays (a rather small) price for the product.
One can observe that also organisations with totally other goals are part of this category, like nursing homes.

5.2.2.1. Case study integrated social business – target group as clients

Helioz GesmbH specializes in the development, production and distribution of cost-effective and simple disinfection of water. Its main product is WADI (Water DesInfection), a device that is attached to a PET-bottle with polluted water and which supports the natural disinfection of water through sunlight. If it is exposed to sunlight for a certain period of time, the water is being disinfected automatically. WADI displays when the process is finished and the water is drinkable. Through the use of WADI, living conditions of people in developing countries have been improved significantly and the risk of sicknesses because of polluted water has been decreased (Helioz 2015). Helioz achieves positive impact for the end-user especially in the field of health and economy. Sicknesses caused by polluted water, as well as child mortality, can be reduced. Women, who are usually spending a lot of time to provide drinkable water, can use their time more efficient and girls can spend more time at school. Additionally, the company wants to raise consciousness for this topic and improve general hygienic conditions. (Helioz 2013a, 2013b). [http://www.helioz.org/](http://www.helioz.org/)

5.2.3. Differentiated Social Business

There are also groups of Social Businesses in, which cannot be directly integrated in a relationship of exchange, due to low solvency or multiple problems. Here exists the danger of „creaming“— already privileged groups receive better treatment/service. Some Social Businesses address also these target groups and find models with alternative funding. Through profitable activities, oriented on market needs, it is possible to provide products or services, which for the target group, with the goal to integrate them and to improve their living conditions.

5.2.3.1. Case study - differentiated Social Business

The association „Footprint“ engages against women trafficking and supports victims in several ways. As a setzt sich gegen Frauenhandel ein und unterstützt Betroffene in unterschiedlicher Hinsicht. As winning project of „Ideas against Poverty“, the association was evaluated by SROI-Analysis by the NPO&SE centre of competency. In concrete terms, effects are calculated for different stakeholder groups. Most important are the clients, who are looked after and supported by the association. The effect for them comes from support concerning contact with public administration, job-seeking, search for apartments. However, it is hard to develop a
business model for this target group, where they can be involved as clients or employees. Therefore, the association “Footprint” offers sport-courses, which are open for clients, as well as other women, who are paying for them. In this way not only the activities of the association are partially financed, but also effect concerning reducing fear of contact and integration are achieved. Participants of the sport courses are getting aware of the problem of human trafficking. A further activity of the association is organizing charity-diners, which are taking place regularly and contribute to financing and integration too. The NPO&SE centre of competency calculated a SROI value for the association “Footprint” of 2,44€, which means, that each invested Euro creates a counter value of 2,44 €. (Rauscher et al. 2013).

http://www.footprint.or.at/

5.2.4. Sustainable Social Business

Some Social Businesses do not have a present target group, but are addressing, in a sense of sustainability, future generations. Through production and distribution of sustainable products and services, they try to reduce negative externalities in production or to create positive effects. This can happen by sustainable production, use of ecologic, biologic and environmentally friendly materials or creating local employment. The social goal is achieved by changing the consumer behaviour, creating awareness of consumers or positive effects at the suppliers. With this type of Social Businesses the distinction from companies that are social responsible but clearly driven by economic goals, can be rather hard, as the difference is only in prioritization of the economic or social goal.

5.2.4.1. Case study – sustainable Social Business

Gebrüder Stitch are producing taylor-made jeans in Vienna. They are acting in the legal form of a LLC, in this sense they are a classical company. Important aspects are a close relationship with the clients, who are participating in the design of the jeans and a sophisticated marketing-concept- Nevertheless the organisation is also pursuing explicit social and egologic goals through its activities. Impact is achieved on two levels: at first, externalities shall be reduced. This happens by abandoning production in low-wage countries, payment of adequate wages, long product life cycles and usage of eco-friendly processing methods. On the other hand, also raise of public awareness and role modelling are declared goals. At the same time, the company is economically very successful and expands with ever-new projects.

http://www.gebruederstitch.at/
### 5.3. Potential for Improvement

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<td>• Adapt legal forms to the needs of the organisations</td>
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<td></td>
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<td>• Make founding of an organisation more easy</td>
</tr>
<tr>
<td>Political framework</td>
<td>• No political office that promotes the topic social business</td>
<td>• More engagement from politics</td>
</tr>
<tr>
<td>Behaviour of the organisation</td>
<td>• Danger of “mission-drift” if too much market oriented</td>
<td>• The mission must stay in focus, so that the concept of social business stays trustworthy and social efficient</td>
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</tbody>
</table>

5.3.1. Financing of SE

The vast majority of experts sees financing as the biggest barrier for Social Businesses. Public funds are scarce and private capital accessible only in minor scale. For a growth of the SE-sector, financing possibilities have to increase and to be easier accessible. Regarding Start-ups, there are especially difficulties in initial financing and the lack of support structure for Social Enterprises and Social Businesses. According to experts, the state should take respective measures concerning these issues. In addition, the Venture-Capital providers and the Foundation sector are being challenged to be more open to Social Businesses. On the side of Investors there has to be a change in the mind-set, as the expectations concerning return are often too high. There is also need for innovative financial instruments, e.g. an alternative regulation in case of default or the participation in the turnover. Nevertheless, there are actors on the market that have proven certain understanding for the financial needs of Social Enterprises. One example is the Erste Group who signed a 50 million EUR deal with the European Investment Fund under the framework of the EU Programme for Employment and Social Innovation (EaSI). Under this deal Erste Group member banks can grant loans at reduced interest rates and with lower collateral requirements to social businesses and non-profit organizations.

5.3.2. Identity of SE

A lack of identity of the sector is also a barrier, which blocks the growth of Social Business: it complicates the effective representation of its interests. Without a supporting network, important topics cannot be introduced in the politic or social discussion- But not only the players within the sector shall connect themselves. In addition, partnerships between Social Businesses, State, service sector and economy can lead to strong positive synergies.

5.3.3. Know-how of SE’s

According to experts, organisations often lack of know-how, e.g. concerning founding, financing or best practice. As a solution, it is recommended, to promote lighthouse projects much stronger and support them in scaling within Austria. In this way, these projects can serve as role models and counsel other Social Businesses as part of a peer-coaching or educational program. Additionally they would contribute to establishing the organisational form of Social Businesses in the public conscious. With regard to the HR-Management of Social Businesses, it has to be said, that with most of the employees, either the NPO- or the Market-understanding are dominating. It is important to connect both view-pints: employees have to be able to fulfil
a „hybrid-role“ ad need to have the opportunity to acquire the necessary competencies. To attract highly qualified individuals, the sector should still gain more attractiveness, e.g. through higher salaries.

5.3.4. Legal framework

Legal framework represents for some experts a barrier, as they are not ideal for every legal form. Existing legal forms have to be adapted to the needs of the organisation. (e.g., when acquiring tax-effective charitable-status). At the same time, the state has to create tax-incentives. Respective administrative obstacles during the process of founding an organisation, experts desire general founding reliefs.

5.3.5. Political framework

Regarding a change of the framework, many experts claim the importance of a position being responsible for Social Business, which sustainably represents the topic on a political level.

5.3.6. Behaviour of the organisation

As the market-orientation often increases with the growth of the organisation, the danger of a „mission drift“ is particularly high for established Social Businesses. In such cases the danger of „creaming“ arises, the focussing on commercially more attractive target groups, with negative consequences for the concerned persons and society. The social goal must not slip out of focus. Many experts remark critically, that the definition of the social goal should be somehow connected to the handling of a certain social problem; otherwise, much could be interpreted into the concept of Social Business. According to some experts, it has to be prevented, that some Enterprises would be seen as Social Business, as they only declarative want to improve their Image as Social Business or are claiming financial support, but are not genuinely pursuing a social mission.

6. RECOMMENDATIONS FOR EXCELLENT MODEL IN SOCIAL ENTREPRENEURSHIP IN SERBIA

The investigations concerning the situation of Social Entrepreneurship in the different ecosystems, Serbia, European Union and Austria, have shown, that we find very heterogenic situations, as far as the status of SE is concerned, but on the other hand also various similar challenges, that shall be tackled, to achieve improvement for SE. In the following part of this document, recommendations for the further development of SE in Serbia will be presented,
which are considered priority, to make a step forward in this area, which after all represents very important economic and social sector in Europe. SE has the potential to positively influence important social issues, in a sustainable way, with only limited need for state support. Social entrepreneurship is an opportunity for developing a healthy entrepreneurial culture that will bring together young people, business representatives and the entire community. Some of the recommendations for improving and creating models of excellence in social entrepreneurship are presented in the following section. According to the order of the necessary measures, recommendations have been made for the improvement of social entrepreneurship in the Republic of Serbia.

6.1. Awareness and education

One of the major challenges in Serbia is the fact, that society lacks awareness of what Social Entrepreneurship really is. To tackle this challenge, it is recommended to introduce formal and informal education programs on all educational levels, primary, secondary, tertiary and in adult education. In the informal part of education (primary, secondary level and adult education), the focus should be on awareness, what SE really is, as it is now perceived almost exclusively as a measure to employ handicapped people funded by the state and not as a sustainable business that, besides generating economic profit, also has positive impact on social problems of society. It is recommended that this informal part covers the definition of SE and the most common areas of SE with examples. By addressing new attendees of education in the field of social entrepreneurship, the awareness for Social Entrepreneurship as well as for the need to develop the field of Social Entrepreneurship will be increased and multiplied in society. As a side effect, new ideas for Social Businesses will be created.

To make such an educational program more attractive and to motivate young people to think about social entrepreneurship it is recommended to include an educative game or other digital education-tool for knowledge transfer, so that the program will be motivating for the trainees and they will achieve knowledge in a playful and interesting way.

Given the fact, that it has shown, that organisations engaged in SE do lack either market or NPO knowledge, as well competencies concerning founding and financing of organisations, it is recommended to establish a system of education that create future leaders of social entrepreneurship. In order for social entrepreneurship to be competitive and innovative, it must have educated managers who will lead companies for a positive impact on society. Managers of social entrepreneurship managers must be sensible and able to be a step ahead of the standard
managers of profit enterprises. Best practice from other countries (e.g. Austria) has shown that a specialization on Social Entrepreneurship can be introduced in tertiary level, at economic faculty. This will assure that future generations of managers in SE have a balanced knowledge of market-, legal- and financial- as well as NPO knowledge, which is necessary to manage Social Businesses in a sustainable way.

Within social enterprises that fulfil one of the social goals (employing harder employable people, environmental, education or health), internal education should be established, to motivate the companies to pursue more than one social goal. This approach would lead to the tendency of social enterprises to reach a model of excellence in social entrepreneurship, which means, that they pursue multiple social goals, to be able to act sustainable and be as useful to society as possible.

Various types of formal and informal education of young people and others, by using also new and innovative education tools (e.g. digital educative games), which show entrepreneurship with a positive influence on society, represent another step towards the improvement of Social Entrepreneurship in Serbia.

Special focus of education has to be on public servants on national, regional and local level, who are dealing with issues and politics concerning economy and entrepreneurship. The goal has to be to raise their awareness concerning Social Entrepreneurship, so that they will recognize possibilities within their area of responsibility to support the strengthening of SE in Serbia.

6.2. Legal and political framework for SE

Social Enterprises to date exist in a variety of legal forms. In some countries, no special legislation dealing with legal forms for Social Enterprises is in force. In such environments, it is often very hard to identify, which organisation is actually a Social Enterprise. In other countries, there is special legislation in force that applies to Social enterprises. The first option to provide legislative framework for SE is to adapt existing legal forms to take account of the specific features of social enterprises. Some countries have created new legal forms for social enterprise by adapting or tailoring existing legal forms. The second option to do so is to introduce transversal ‘legal statuses’ that cut across the boundaries of various legal forms and can be adopted by different types of organisations provided they meet pre-defined criteria.

It is definitely recommended to the policy makers in Serbia to decide for one of the before mentioned options. When doing so, a certain effort should also be taken to define detailed what
is considered to be a Social Enterprise, and to adapt the newly created legal statuses/forms to
the real needs of the Social Enterprises. At the same time the State has also to take care that the
founding procedures are as simple as possible and to create tax-incentives for SE’s. Public
buyers should make the best use of the public procurement rules and insert social
considerations, including reserved contracts for the social and professional integration of
disabled and disadvantaged persons as well as health, social and cultural services in their
tendering procedures.
To give SE a voice also on political level, it is recommended to create a special role in politics,
which will be responsible to promote SE in politics and be its ambassador.

6.3. Visibility

Concerning visibility it is recommended to create an information and exchange platform across
different sectors for social entrepreneurs, business incubators and clusters, as well as social
investors, where SE’s can exchange relevant information and examples of best practice to be
able to cope with their problems. Besides that, partnerships between Social Businesses, State,
service sector and economy can lead to strong positive synergies.
Additionally it is recommended to introduce a label and certification system applicable to social
enterprises in Serbia. This will add to the visibility of SE in Serbia, and gives the opportunity
for state procurement, e.g. to give advantage to certified Social Businesses over ordinary for-
profit businesses. This certification and labelling will also allow to check after a certain period,
whether a certified SE is still focussing on its social goal and is thus eligible to obtain the
certification as an SE. In this way, Social Businesses are being forced in a soft way, to stick to
their initial social goals and to avoid “creaming”, which means focussing on most profitable
target groups and slowly “forgetting” about the social purpose of the organisation. In connection
with the certification and labelling, also a nationwide register of Social Enterprises should be
introduced, to make them visible in one database, which helps the interested public to get a
comprehensive overview of SE in Serbia.

6.4. Financial support

Access to finance is regarded as one of the major obstacles for Social Enterprises. For the time
being, social enterprises generally have to rely on the same sources of finance as mainstream
enterprises, although alternative funding sources are beginning to emerge. The challenges and
barriers typically are little available public subsidies, lack of understanding for social business by investors/financiers, as they want to see a certain economic return on their investment and difficult and limited access to private equity. Therefore, we have a mismatch on supply and demand side. On the demand side, it is generally, difficult for social enterprises to find their way among the various sources of finance potentially available to them and on the supply side; providers of social finance find it hard to identify social enterprises meeting their specific investment requirements. Additionally many Social Businesses are lacking managerial skills and economic knowledge (as mentioned earlier) concerning founding and financing of their organisations.

In the Republic of Serbia, one is facing a lack of interest of decision-makers at local levels of government, concerning the needs of Social Entrepreneurship, including financial sources. Although there are tools and opportunities existing to support the development of SE, at least regarding employment of harder employable people in the local communities, these opportunities are not facilitated, as the local governments do not engage in creating the necessary supporting documents. At the level of the Autonomous Province of Vojvodina, the situation is better. The local government (secretariat for economy and tourism) created a council for the development of social entrepreneurship in 2017. After that, a financial program called Financial Support for Social Entrepreneurs in AP Vojvodina was created. The funds under this program are intended to increase the employment of the harder employable category of people in the enterprise, such as: persons with disabilities, women victims of violence, young people without parental care, unemployed over 50 years of age. The program aims at strengthening the competitiveness of business entities that employ disadvantaged persons in the form of grants for the purchase of equipment or the implementation of a project for strengthening the competitiveness of the company.

For the further development of Social Entrepreneurship, adequate funding sources are very important. To achieve that, several measures are recommended.

6.4.1. Education & change of mind-set

Local government in co-operation with business support organisations shall provide increased resources to training programmes, incubators and intermediaries that provide tailored capacity building support to social enterprises required to build their managerial skills and to encourage their financial sustainability. These training programmes shall also cover Start-ups, as there are especially difficulties in initial financing and the lack of support structure for Social Enterprises and Social Businesses.
On investors’ side, the education measures should challenge Venture-Capital providers and the Foundation sector to be more open to Social Businesses. In addition, a change in the mind-set has to be triggered by the measures, as the expectations concerning return are often too high. A possibility to achieve that is promoting the concept of SROI (Social Return On Investment), as it offers a consistent method to measure the impact of an investment not only by its financial effects but also by other impact - such as environmental or social value.

6.4.2. **Dedicated financial programmes and instruments**

From state side, there are possibilities to create better possibilities for financing Social Enterprises. It is recommended to direct public funding to mobilise private capital, through investment in and de-risking of social enterprise funders, as well as by putting proper governance structures in place. Besides that public subsidy structures should be created. There is also need for innovative financial instruments, e.g. an alternative regulation in case of default or the participation in the turnover. Here (local) government can play a key role in designing dedicated financial instruments (using public funds to provide loan or investment (equity) facilities).

6.4.3. **Social Impact Investment Markets**

A concept that touches the topics of education and mind-set, as well as financial instruments, and shall be taken into consideration in all efforts concerning these two topics, is the concept of Social Impact Investment. This concept describes the provision of finance to organisations with the explicit expectation of a social – as well as a financial – return and measurement of the achievement of both. The potential balance between the two forms of return (what type and scale of financial return and what type and scale of social impact) implies the possibility of a substantial range of investors, investment products and investees.

7. **Disclaimer**

This document has been produced with the assistance of the Austrian Development Agency (ADA). The contents of this document are the sole responsibility of the author/s and can in no way be taken to reflect the views of ADA nor the Austrian Government.
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