Involvement of business in promoting sustainable development at the regional and local levels: Social Entrepreneurship and Corporate Social Responsibility in Bulgaria, Greece, Lithuania, Spain, Portugal, Turkey, UK
Involvement of business in promoting sustainable development at the regional and local levels:

Social Entrepreneurship and Corporate Social Responsibility in Bulgaria, Greece, Lithuania, Spain, Portugal, Turkey, UK

RESEARCH REPORT

This research report is developed within the frame of Project: BUSINESS EDUCATION FOR SUSTAINABILITY: TEACHING CORPORATE SOCIAL RESPONSIBILITY AND SOCIAL ENTREPRENEURSHIP FOR SUSTAINABLE LOCAL AND REGIONAL DEVELOPMENT

Photo on front cover: depicts the work of the social enterprise Bread Houses Network – Bulgaria
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In recent years European societies are functioning in a state of multiple crises. Due to the recession triggered by the 2008 financial crisis and worsened by the European public debt crisis, the economic context is one of economic downturn, challenges of short-term financial stability, painful fiscal and structural reforms and historically high unemployment which disproportionately affects young people. Economic and social disparities among Member States have increased, with some states struggling with slow productivity growth, a stale investment climate and low competitiveness. Security issues have heightened and geopolitical tensions have intensified, most particularly with regard to the unprecedented inflow of refugees and asylum seekers. Long-term societal challenges such as demographic change and climate change continue to stay high on the agenda.

In this context of prolonged economic crisis and pressing societal challenges, public funds are becoming increasingly insufficient to adequately address social problems. Societies in Europe and beyond are therefore looking to business to assume a greater share of the responsibility for social welfare and environmental sustainability. The consequences of the economic crisis have heightened public expectations and attention to long-term strategic corporate social responsibility and the ethical behaviour of firms. At the same time, a substratum of business – usually called social entrepreneurs or social enterprises – have proven able to find innovative solutions to pressing social problems while still operating in a market-driven and entrepreneurial fashion.

The non-profit sector, too, is operating in a rapidly changing environment. As public services in the European Union (EU) struggle amid crisis to cater to the needs and rights of all individuals in society, certain vulnerable segments of the population are marginalized and excluded. Advocacy and charity work in the citizen sector is changing in this situation. As social problems are becoming harder to deal with, many traditionally operating non-profits end up being ineffective due to a cumbersome, institutional, donor-dependent and self-interested model of operation. Increasingly therefore, both recipient social groups and funders expect these organizations to become more entrepreneurial and less institutional, so that they can achieve the maximal possible results at the lowest cost in the shortest time. Social innovation and venturing, non-profits adopting commercial strategies, social cooperative enterprises, and community entrepreneurship emerge as the new citizen sector trends of the 21st century. These new trends blur traditional boundaries between the public, private and citizen sectors. As fluid and confusing as it may be, this transformation can be a powerful force for change provided all three sectors – the public, the private and the non-profit - understand it and assume ownership and responsibility for new developments.

This report outlines the current situation regarding the involvement of business in promoting sustainable development at the regional and local levels in Bulgaria, Greece, Lithuania, Portugal, Spain, Turkey and the UK. It assesses the context, current development and future prospects of corporate social responsibility, the social economy and social entrepreneurship – the most direct forms of linking business and social impact.

The social role of business, while arguably stemming from the same context and social pressures, can roughly be separated into two distinct forms:
- voluntary social impact activity of for-profit business – Corporate Social Responsibility (CSR);
- hybrid business activities that aim predominantly or substantially at achieving social goals – social enterprises and social entrepreneurs.

The two types are rather distinct with regard to the policy context that they engender: CSR is essentially a voluntary activity (above and beyond legal regulations and requirements) of autonomous business units, and so the role of both the EU and national governments typically cannot go beyond encouragement, promotion, awareness raising, collaboration, research, partnership-building and similar non-interventionist actions. Social enterprises on the other hand can be both regulated and encouraged with special policy measures, i.e. policymakers can choose a more interventionist approach. Below, we will focus on providing essential background information for each type, focusing on the European context.

### Social enterprises, social entrepreneurship and the social economy

#### Historical context and current development

Historically, the social and, indeed, moral activities of economic actors in Europe have been associated with the concept of the “social economy”, most broadly defined as the economic activities of self-help organizations, such as cooperatives. This is a sector that is distinct from the traditional private (profit-driven, commercial) sector, from the public sector and from the non-profit (charity and advocacy) sector. The social economy was strong in Europe during the first third of the 20th century but during the 1945-1975 period the dominant model of the mixed economy (the combination of free market and strong state regulation) and the rise of the welfare state created a context that prioritized the traditional private capitalist sector and the public sector (CIRIEC, 2012, p. 10). In the same historical period, the socialist political regimes in the Soviet Union and the Central and Eastern European countries installed a state-dominated economy. Although cooperatives were part of the socialist planned economy, their democratic and voluntary character was strongly compromised.

Since the 1980s, however, most Western European countries have abandoned the welfare state model in favour of a welfare mix, where responsibility for social welfare and the public interest is shared among public authorities, private for-profit entities and non-profit (also referred to as “citizen sector”) organizations (Defourny, 2010, p. 60). The crisis of the welfare state and the mixed economy systems during the 1980s and 1990s led to a growing importance of traditional social economy organizations (cooperatives and mutual societies) in addition to the ever more influential citizen sector organizations – associations and foundations – that are now commonly considered part of the modern social economy.

These four types of organizations have increasingly been taking over tasks related to correcting social and economic imbalances and addressing problems that neither the free market nor the state could solve – long-term unemployment, social exclusion, rural development, health and education, etc. (CIRIEC, 2012, p. 10). The social economy has been especially crucial in fields such as social services, community care services, and work integration of disabled people and people from vulnerable social groups. A new form of cooperatives – the social cooperatives – appeared within
the social economy. These cooperatives engaged in the production and provision of social goods and catered to the common good, as opposed to the interests of their own user members. Other types of cooperatives, too, play vital social roles in many countries by virtue of being job providers for a large number of people. While in most former Society Union countries and in the post-socialist Central and Eastern European countries cooperatives have been discredited and have generally passed through a period of decline after the collapse of communism, their economic importance is now gradually growing. Notably, the social economy in the EU as a whole has shown a tendency to grow in the last two decades. Its increasing presence in EU and national policymaking largely reflects this development on the ground, as well as the general quest to search for innovative ways of dealing with the consequences of the economic crisis.

It is widely recognized that a proper institutional framework is a key determinant of the size and impact of the social economy. At the EU level there is divergence in the extent to which public policies and national legislation recognize the separate identity of social economy actors and the extent to which they are perceived as stakeholders at different stages of the public policy process (CIRIEC, 2012, p. 37). Various sector policies affect the social economy in all EU countries. Yet only in some EU countries, such as France, Spain and Greece, social economy policy is streamlined through specific laws. The extent of societal and political recognition of the social economy as an important actor in economic and social development varies from country to country, too. The divergence is the result of multiplicity of factors but historical traditions and institutional, economic and political legacies are probably the most important ones.

**Policy context**

Since 1980, the social economy has started to receive recognition at the EU level. In 1997, the "Third System and Employment" pilot initiative was launched explicitly targeting the social economy (CIRIEC 2012, p. 10). In 2009, a European Parliament resolution recognized the social economy as a vital element of efforts aimed at achieving the Lisbon Strategy objectives (European Parliament, 2009).

A specific European budgetary policy in support of the social economy has so far been rejected. Budgetary support, however, has been directed at the social economy within the framework of employment and social cohesion policy, specifically through the European Social Fund and through initiatives promoting SMEs and employment, such as the ADAPT initiative, the EQUAL initiative for social and work integration, the Local Action for Employment (CIRIEC, 2012, p. 51).

The gradually increasing interest in the social economy led to its explicit recognition in EU policy in 2010 and 2011. The 2010 Commission Communication, "Towards a Single Market Act" (European Commission, 2010) recognized the innovation potential of the social economy and outlined further work in this field. In 2011, the review of the "Small Business Act" (European Commission, 2011c) announced that the needs of the social economy will be addressed in a dedicated initiative. The Social Business Initiative (European Commission, 2011a) was published soon afterwards. It was the first clearly focused attempt and an action plan to review the contribution of the social economy and to address the conditions for its further development. This initiative clearly states that social enterprises face unique challenges (in addition to the challenged faced by other SMEs) and hence need specific support. This initiative has geared action in support of the social economy and social entrepreneurship in three key directions:
1) improving social enterprises’ access to finance by facilitating access to private funding and by mobilization of EU funds;

2) ensuring social enterprises’ visibility, e.g. through improving knowledge and understanding of the social economy and building essential skills of social entrepreneurs;

3) optimizing the legal environment through developing suitable legal forms, easing social enterprises’ access to public procurement and reforming state aid regulations.

The 2012 Commission Communication “Towards a Single Market Act II” (European Commission, 2012) re-confirmed efforts to promote the visibility of social entrepreneurship and mobilize private investment funds in support of social business through the implementation of European Social Entrepreneurship Funds. A 2013 Regulation adopted by the European Parliament and the Council set out a ‘European Social Entrepreneurship Fund’ label that is expected to assist investors to identify funds supporting European social businesses. The label can be used by funds in which 70% of the capital received from investors is spent on supporting social businesses. In 2015, a European Parliament resolution stressed that the fight against unemployment in Europe will be greatly supported by encouraging social entrepreneurship and social innovation. In its conclusions from December 2015, the Council of the European Union, too, stated that the social economy is a key driver of economic and social development in Europe and plays a supplementary role to existing welfare regimes in many Member States (General Secretariat of the Council, 2015). The Council conclusions also observe that the social economy has weathered the economic crisis better than other economic sectors, suggesting that future anti-crisis measures will increasingly focus on strengthening the social impact of business. Specifically, the Council Conclusions call for:

- further development of European, national, regional and/or local strategies and programmes for enhancing the social economy, social entrepreneurship and social innovation;
- further promotion of the visibility of social enterprises;
- development of reliable statistical data on the social economy;
- development of monitoring and assessment tools to measure the impact of the social economy;
- building capacity within the social economy and among policymakers;
- involving young people in the social economy;
- developing, supporting and disseminating knowledge about the social economy, including by supporting the uptake of the topic in education;
- promoting integrated approaches to support social innovation;
- designing incentives tailored to the national context in order to support the development of social economy enterprises;
- utilizing the possibilities of public and private procurement to support social enterprises;
- supporting co-operation between social economy enterprises and traditional, profit-oriented firms, for example by encouraging the development of social “intra-preneurship”;
- improving access to finance for social economy enterprises;
- exploring the possibility to provide guarantee schemes in support of the financing of socially innovative start-ups;
- utilizing the opportunities of EU instruments such as the European Structural and Investment Funds, the Employment and Social Innovation programme (EaSI) and Horizon 2020 to promote investment in the social economy;
- encouraging the mobilization of private resources in equity or quasi-equity, as well as workers’ buy-outs in order to foster the growth of social economy enterprises.

In the 2014-2020 programming period, European structural funds and Horizon 2020 explicitly target the development and growth of social enterprises and social entrepreneurship and will provide a vital boost for the sector across Europe. In 2016, The European Commission announced a proposal to further improve existing legislation that governs European Venture Capital Funds and the European Social Entrepreneurship Funds. This Proposal is part of the Capital Markets Union (CMU) Action Plan. It is expected to boost investment into venture capital and social projects in support of innovative small and medium-sized companies. The proposal seeks to allow fund labels to be used by fund managers of all sizes, and to expand the range of companies that can be invested in. Also in 2016, new rules on public procurement across Europe have entered into force as Member States transposed into national legislation three EU directives on public procurement and concessions adopted in 2014. The new rules make it easier for Small and Medium Sized Enterprises (SMEs) to bid for public contracts. They also allow for environmental and social considerations, as well as innovation aspects, to be taken into account when awarding public contracts. These new rules are essential for the future development and growth of social enterprises, especially those focused on work integration. Specifically, Art. 20 of Directive 2014/24/EU opens the possibility

“to establish reserved contracts for sheltered workshops and economic operators whose main aim is the social and professional integration of disabled and disadvantaged persons [...] provided that at least 30% of the employees of those workshops, economic operators or programmes are disabled or disadvantaged workers.”

Definitions in detail: social economy vs. social enterprises vs. social entrepreneurship

- Social enterprises:

The European Commission has defined social enterprises as economic entities in which:

- social or societal objectives related to the common good are the reason for the commercial activity, often in the form of social innovation;
- profits are mainly reinvested with a view to achieving the set social objectives;
- organization and ownership arrangements reflect the commitment to social objectives and are based on democratic or participatory principles or on the principle of social justice (http://ec.europa.eu/growth/sectors/social-economy/enterprises_en).

The EMES Network, which has been particularly influential in Europe in the field of social enterprise, has attached several criteria to the ideal type of the social enterprise:

a) continuous activity producing goods and/or selling services
b) significant level of economic risk
c) minimum amount of paid work

d) explicit aim to benefit the community

e) initiative launched by a group of citizens or civil society organizations

f) limited profit distribution

g) high degree of autonomy

h) decision-making power not based on capital ownership

i) participatory nature, which involves various parties affected by the activity (Defourny and Nyssens, 2012, pp.12-15)

In the 2013-2014 report commissioned by the European Commission and focused on mapping social enterprises in Europe (ICF Consulting Services, 2015, pp. 10-11), this definition is distilled into several core criteria which an entity must meet in order to be classified as a social enterprise:

- engagement in economic or commercial activity;

- pursuit of explicit social aim for the benefit of society and in line with the general interest;

- limits on distribution of profits and/or assets (i.e. the social aim is placed above profit making);

- organizational autonomy from the state and from traditional for-profit organizations;

- inclusive governance mechanisms; participative and/or democratic decision-making processes.

➢ Social economy

In various research and policy studies, entities defined as belonging to the social economy are:

- business entities in the social economy, notably cooperatives (and business groups controlled by them) and mutual societies: these entities serve their members' needs through applying the principle of self-help. Cooperatives are democratic organizations where members have equal voting rights and investors (holders of substantial amount of capital) are not allowed to form a majority or to allocate surpluses proportionally to capital. Frequently, as mentioned above, cooperatives serve the broad public interest (rather than the interest of members); in this case, they are typically referred to as 'social cooperatives';

- non-profit entities in the social economy – associations and foundations (or other legal forms): private legally constituted entities with voluntary membership that produce non-market services and apply the principle of non-distribution of profits or surpluses (CIRIEC, 2012, p. 17-18).

➢ Social enterprise vs. social economy vs. social entrepreneurship

Social enterprise and social economy are the two terms that appear to be widely accepted and relatively clearly defined at the EU level. Research for this project has indicated, however, that in the different national contexts these terms are not well differentiated. In some countries, certain public sector organizations (i.e. not fulfilling the autonomy from state criterion) and certain non-profit organizations (i.e. not convincingly fulfilling the economic activity criterion) are considered (or consider themselves) as social enterprises. In addition, it is vital to draw a more clear distinction between social enterprise and social entrepreneurship, which is frequently conflated.
The research team in this project agreed that the approach adopted by Brouard and Larivet (2010, pp. 29-30) is fairly useful: it combines the distinctions between the private, public and non-profit sectors with the distinction between social enterprise and social entrepreneurship. This is also in line with the EMES approach to consider social enterprises as part of the so-called third sector, which, however, is not a sector that can be neatly separated from the public and the private sector (Defourny and Nyssens, 2012, p. 17). Despite their intermediate and hybrid positions, social enterprises would still often identify themselves or be identified by society as part of either the public sector or the private sector, and indeed they would often be closer to one or the other. According to the Brouard and Larivets approach, the term ‘social enterprise’ is the broader term, while ‘social entrepreneurship’ is a subset of the social enterprise phenomenon. While public sector organizations and purely non-profit organizations can be social enterprises, they are not social entrepreneurs. Questions will always arise as to whether public and non-profit entities meet respectively the “autonomy from the state” and the “substantial economic activity” criteria. Frequently, however, some public sector organizations or traditional non-profit organizations can be borderline cases that cannot be easily excluded from the social enterprise category: we reference situations when public sector organizations are partially independent from the state budget and do engage in economic activity or the provision of services or when traditional non-profit organizations engage in activities that are not directly commercial or economic but may be directly related to the development of economic activities (e.g. non-profit organizations providing entrepreneurship training and mentorship support). In the course of this project, several such borderline cases appeared and there was notable disagreement as to whether or not they are social enterprises. In the Compendium of good practices, they are labelled as “borderline” cases.

The concept of ‘social entrepreneurship’ appears to be least well known and understood within national contexts. Its definition, however, is fairly clear. Social entrepreneurs are those types of social enterprises that apply entrepreneurial and market-based approaches to create social value, i.e. they can be either hybrid or for-profit organizations.

Finally, ‘social economy’ remains yet another broader and widely accepted term. It includes social enterprises, in addition to cooperatives and other forms of self-help organizations that address collective interests and needs (although not necessarily the general public interest) (for a detailed discussion on various definitions and terms, see Brouard and Larivet, 2010). For the purposes of this report, we consider cooperatives that serve their members’ interests (rather than the general interest) as part of the social economy, while cooperatives serving the general interest or vulnerable social groups (such as people with disabilities) as effectively hybrid organizations that engage both in philanthropic and commercial activities and can be genuine social entrepreneurs.

It should be noted that throughout Europe the term ‘social entrepreneurship’ has entered in circulation relatively recently - much under the influence of the European Commission and due to cross-fertilization between the European and the US intellectual traditions in this area. Until recently, ‘social enterprise’ and ‘social economy’ were the usual terms used to describe economic activities aiming at social impact. The relationship between the concepts is summarized in the figure below:
Characteristics of social entrepreneurship, social enterprises and social economy activities

Social entrepreneurship and social economy activities are different from traditional business in that they pursue a social mission or purpose rather than (just) profit. They are driven by a mission to create and sustain social value (not just private value); thus, they pursue a triple bottom line - economic, social, and environmental outcomes (for a more detailed discussion, see Defourny, 2010, p. 62; Kickul and Lyons, 2012, chapters 1 and 2). In addition, social entrepreneurship and social economy activities:

- build, sustain, and utilize social capital;
- contribute to development by increasing equity and creating a degree of stability;
- recognize and pursue new opportunities to serve their social mission;
- tend to pay great attention to accountability to the constituencies and social groups that they serve and for the outcomes they create;
- serve stakeholders rather than shareholders;
- rely on methods of organization and production factors that are different from those in the traditional for-profit economy: usually a mix of salaried workers, volunteers, users, support organizations and local public authorities (traditional social economy organizations such as cooperatives are, however, set up by more homogeneous social groups).

Social entrepreneurship and social economy activities have the potential to foster social and environmental innovation

The innovation potential of social business is frequently related to its relative autonomy from stakeholders that seek to maintain the status quo. In this it is notably different from governments and public institutions that, as a rule, are involved in complex negotiation with a variety of participants in the policy and the political processes (Kickul and Lyons, 2012, p. 7). Innovation in social entrepreneurship and the social economy may include:

- creating new products or services;
- developing a new process for producing or delivering an existing product or service;
- delivering an existing product or service to a new or previously underserved market or constituency;
- utilizing new sources of labour or other production inputs;
- creating and implementing a new organizational or industrial structure, such as a community development bank or a new form of media;
- finding new ways of engaging customers, users or target beneficiaries;
- devising and utilizing new funding models (Kickul and Lyons, 2012, pp. 45-47).

Social entrepreneurship and social economy activities are context-specific and local

By their nature, they address failures of traditional organizations and the state to meet locally existing social needs or rights and/or negative externalities produced by the market. Therefore, it is the local context that creates the opportunities for social entrepreneurs and determines their goals and strategies (Mair, 2010, p. 19). Depending on the context, the social entrepreneur can be an individual, an established organization or even a social movement, and the social venture itself can be for-profit or non-profit.

“Varieties of capitalism” create varieties of social entrepreneurship

Mair (2010) argues that the dominant economic model is a strong determinant of the degree of development and varieties of social entrepreneurship. Based on the research carried out for this project, we find that this is indeed the case, although we may introduce some more distinctions with regard to the new market economies in Eastern and Central Europe:

In the established liberal economies with strong entrepreneurial mindset, e.g. the US and the UK, it is the market that rules and the market is also expected to sort out issues of economic and social justice. This type of economy is an auspicious environment for market-based social entrepreneurship – solutions are found following market principles. Contextual factors related to resources, impetus and leadership matter in this type of economies, too. In the US, social entrepreneurship is strongly supported by private donors and foundations, i.e. private capital (Mair, 2010, pp. 21-24). In addition, the US social entrepreneurship approach puts a special emphasis on the entrepreneur’s individual qualities: there is a notable tendency to equate social entrepreneurship with a hero business leader committed to social change. In the UK, on the other hand, it is the government that has led and influenced the development of social entrepreneurship and social enterprises. It has done this in the attempt to involve private initiatives in the provision of solutions to social problems by outsourcing public services delivery to private and third sector providers and spinout public departments.

In countries following the so-called Bismarckian tradition of corporatism - Belgium, France, Germany, and, arguably, Ireland (Ireland is considered a borderline case between the liberal and the corporatist model) - intermediate bodies that are usually non-profit private organizations financed and regulated by public bodies have been strongly involved in the provision of social services. Since the 1980s, in the context of high unemployment and budget deficits, they have become natural partners to the public sector in the field of active labour policies (Defourny and Nyssens, 2009, pp. 3). In this model, however, there is a clear dependency between the public sector and social business. In Germany for example, social enterprises thrive within the comprehensive government-sponsored social support system but they are only partially
independent from public budgets. In France the concept of the social and solidarity economy has a long tradition, as do associationism, cooperatives and participative society; however, the concept of the social enterprise operating in the free market is still relatively new. The French system, too, is characterized by a strong link between public or quasi-public bodies and the social services field. In the context of public budget cuts and economic crisis, however, social enterprises in the corporatist model are increasingly looking to diversify their sources of funding and are thus moving closer to the liberal model of social business.

In the Nordic countries known as the typical welfare-state based social democratic model, associations and non-public organizations have not traditionally played a strong role in the provision of public services (Defourny and Nyssens, 2009, pp. 4). Social enterprises in these countries have gradually emerged as economic actors only following the decline of the welfare state in the 1980s. An impressive growth is evident only in the last decade. The liberal model’s tendency to view social entrepreneurship as the domain of individual business leaders is foreign to the Nordic economic and political tradition, in which it is institutions, rather than individuals, that are expected to deal with social problems and challenges. In the Nordic model, social business is a relatively new force of social change and it has received a moderate degree of recognition. The Nordic model, however, enjoys the benefit of a strong tradition of social innovation that is feeding into the fast developing social entrepreneurship sector.

In the Southern countries - Spain, Italy, Portugal and Greece – government has not been heavily involved in the provision of welfare but it redistributes wealth. Historically, it has been families and church-related charities that have been the main providers of social services (Defourny and Nyssens, 2009, p. 5). Countries such as Spain and Italy, however, are notable for the strong development of cooperatives and it is precisely cooperative initiatives that have formed the backbone of social economic activities in these countries. Out of the cooperative movement, new cooperative entities serving a broader community and focused on the general interest (rather than the interest of members) emerged naturally and took up social problems such as unemployment and the needs of vulnerable social groups. Due to this strong cooperative tradition, however, there is a general tendency in these countries to accept and discuss the concept and practice of the social economy rather than that of social entrepreneurship.

The new market economies in Eastern and Central Europe suffer from weak entrepreneurial traditions and weak traditions of civil society. For these countries, it would be fair to say that social entrepreneurship is an imported model. Especially in those new market economies that tend to adopt neoliberal approaches to economic development, such as Bulgaria, social entrepreneurship emerges under the impetus of the EU, and it is financially sustained almost exclusively by EU funding;

All in all, in Continental Europe, as opposed to the Anglo-Saxon model:

- the distinction between private and public sector is less pronounced when it comes to social enterprises;

While the Anglo-Saxon approaches place a great emphasis on the quest for commercial resources and the degree of self-funding of social enterprises (based on their commercial activities) in order to classify a venture as ‘social entrepreneurship’ (Defourny, 2010, p. 80), social enterprise research in the European context may need to somewhat relax this requirement. In Continental Europe social enterprises are much more dependent on public policies and budgets, on other non-market
sources and on EU funding (the latter is the case especially in Eastern and Central Europe, but also in countries struck hard by the economic crisis, such as Greece, Portugal and Spain). In short, there are numerous social enterprise initiatives in Europe that do not have sufficient self-funding capabilities. It is a matter of debate whether they should be considered social entrepreneurs or not; it is however beyond dispute that they fit within the broader framework of social enterprises and do constitute significant examples of the social impact and the social innovation potential of business;

- In Europe emphasis appears to be put on collective efforts and solutions to social problems rather than on individual leadership.

**Potential role of the social economy in tackling the effects of the economic crisis**

Undoubtedly, one of the reasons the social economy has been so hotly debated lately is the perception that it is a valuable resource in efforts to mitigate the devastating effects of the economic crisis. The social economy is expected to play a number of anti-crisis roles, including:

- to serve as a buffer against the crisis: the social economy stands out for its commitment to social impact and (at least some degree of) social justice that can offset the harsh impact of the crisis on the most vulnerable parts of the population; it is committed to long-term strategies in communities and locations (i.e. it is not prone to capital flight) and it is a more ethical employer providing more job stability and fair wages (CIRIEC, 2012, p. 43);

- to provide economic and financial alternatives and breed social innovation in response to social demands, by both creating new forms of collective and individual responsibility and new forms of solidarity funding, such as ethical banking or social currencies (CIRIEC, 2012, p. 45);

- to provide corrective measures and mitigate imbalances on the labour market, especially in terms of retaining jobs in sectors threatened by closure, providing work integration services for persons in vulnerable position on the labour market and mitigating job instability (CIRIEC, 2012, pp. 45-46);

- to complement and assist public sector welfare services.

**Key issues affecting the growth and development of social business**

- National-level and European-level statistics on the social economy are still underdeveloped. There are ongoing European Commission initiatives to promote the development of statistical methods capable of obtaining accurate, consistent and comparable data on social economy entities. Without a solid statistical foundation, efforts to promote the sector will be severely curtailed;

- The social economy and social entrepreneurship in the Eastern and Central European states remains relatively underdeveloped, largely due to the socialist legacy, the relative newness of market institutions and the relative weakness of civil society traditions;

- In most European countries, social economy entities remain institutionally under-defined, partly due to the diversity of existing forms and partly due to the newness of the sector.
Some conceptual clarity that enables social enterprises to be differentiated and legally recognized among other enterprises will assist measures of targeted support (Lithuania, however, demonstrates the danger of excessively limiting the definition and thus providing support to only a portion of the existing social enterprises);

- It is frequently argued that because of its diversity and plurality, the social economy needs strong representative organizations, associations or federations both at the national and at the international level (CIRIEC, 2012, pp. 56-57);

- A remaining challenge is the full-fledged inclusion of the social economy into social dialogue and the public policy process;

- An urgent challenge for social enterprises is the development of competitive business models and strategies able to withstand the competition in the increasingly more globalized and deregulated markets (CIRIEC, 2012, pp. 57-58). In this regard, a gradual transition to more self-sustaining funding models will be welcome;

- The social economy and social entrepreneurial ventures should be no exception to the general trend of deepening and widening cooperation and knowledge transfer between (social) business and education institutions, research centres and universities (CIRIEC, 2012, p. 58);

- Social entrepreneurship and the social economy need clear approaches to measuring social impact. Yet it should be noted that since they are by their nature local phenomena, one-size-fits-all type of indicators will not be useful. Indicators need to be context-specific and clearly related to the local needs and rights that are being addressed.

**Theoretical approaches**

*Literature on non-profit organizations:* The current understanding of the social economy owns much to the literature and studies on non-profit organizations which has been growing since the 1980s, especially in the US academia (for basic overview and concepts, see for example Salamon, 2011; Light, 2004; Powell and Steinberg, 2006; Dionne, 2000; Edwards and Sen, 2002; Austin, 2000; Ott and Dicke, 2011, 2015; Evers and Laville, 2004; Hopt and Von Hippel, 2010; Fisher, 1997; Hilhorst, 2003; Hulme and Edwards, 1997; Mendelson and Glenn, 2002).

The solidarity economy approach: This approach emerged in France in the 1980s (CIRIEC, 2012, pp. 21-22). By the mid 1990s, it had grown into a social movement, a research agenda and a network of economic activity throughout Latin America (most notably Brazil), Europe and Canada (Miller, 2010). This approach opens up an understanding of the economy that diverges from the mainstream liberal view of the economy as the domain of commercial and monetary activities and exchange. The solidarity economy concept understands the economy as the plural domain of the market (competition, sales of goods and services), the state (redistribution, as well as government subsidies and donations) and reciprocity (associationism and volunteer activities). The solidarity economy is built around the principles of egalitarian and participatory economic behaviour by individuals, workers, and producers (be they consumers, investors or entrepreneurs), social justice, citizen commitment, democratic deliberation, the reconciliation of money and value and the linking of productive activity to social needs rather than profit (Dacheux and Goujon, 2012; Allard and Matthaei, 2008). The solidarity economy concept is grounded in cooperation, rather than the
pursuit of individual self-interest (the latter is the cornerstone of economics). It is compatible with various alternative models of local economic governance and self-governance, equitable distribution and sustainability. The European movement centered on the concept of the social economy easily finds common ground with the solidarity economy movement (Allard and Matthaei, 2008).

**The social entrepreneurship approach:** This is a growing body of literature, which, however, lacks a theoretical consensus. The term ‘social entrepreneurship’ was coined in the 1980s by Bill Drayton, the founder of Ashoka. Perhaps the first and still quite influential theoretical treatment of it as a field of study and professional practice is to be found in the work of Dees (1998). The social entrepreneurship field of study is thus quite recent even if practices of social entrepreneurship themselves can probably be traced far back in history. Research on social entrepreneurship still encompasses a variety of perspectives and defines social entrepreneurship in a variety of ways – a typical situation for newly emerging fields (for key theoretical and practical accounts, see for example Bornstein and Davis, 2010; Ridley-Duff and Bull, 2011; Bornstein, 2005; Certo and Miller, 2008; Martin and Osberg, 2007; Dacin et al, 2010; Nicholls, 2006; Kickul and Lyons, 2012; Santos, 2012; Afuah and Tucci, 2013; Elkington and Hartigan, 2008; Smith and Gonin, 2013).

As of now, the term “social entrepreneurship” is an umbrella construct (Mair, 2010, p. 18; Brouard and Larivet, 2010, pp. 29-30). Perhaps more importantly, however, there is already a critical mass of practitioners and foundations that have endorsed the phenomenon as a practice and occupation. Ashoka, the Schwab Foundation, Aspen Institute, Echoing Green, Social Enterprise Alliance, the Skoll Foundation and similar organizations provide support and lend visibility to social entrepreneurs, thus helping to diffuse the social entrepreneurship model (Mair, 2010, p. 18).

The approach of social entrepreneurship is still distinctly divided into an Anglo-American tradition and the Continental European tradition. The latter tradition draws on the research of the EMES network for the social economy (http://emes.net/)\(^1\). In the EU, the British government approach to social enterprises, as defined in the early 2000s (in the paper ‘Social enterprise: a strategy for success’, 2002), has also been very influential. The Skoll Centre for Social Entrepreneurship at Oxford University and other similar university centres in the UK have attempted to bridge the divide between European and US debates on social enterprise and between approaches in the UK and continental Europe (Defourny, 2010, p. 67). In the US, media such as Stanford Social Innovation Review and Next Billion provide valuable insights, news and leading opinion on the subject.

### Corporate Social Responsibility

The social responsibilities and the moral obligations of private businesses have been subject of study and debate for decades. Following the 2008 financial crisis, they have reached the top of the agenda. Corporate Social Responsibility, Corporate Citizenship, Triple Bottom Line, and Sustainable Business are different terms used to describe the social or moral objectives pursued by corporations.

\(^1\) The Network was formed in 1996 by researchers from 15 EU member states (all the member states at that time) and has implemented a major 5-year research project funded by the European Commission.
The growing public opinion and policy pressures related to the need to tackle social and global challenges (poverty, social exclusion, environmental degradation, aging, migration, to name just a few) has started to modify the perceived role and mission of business (especially of larger and multinational businesses). Companies are no longer expected just to be profitable and generate value for their shareholders, they are expected to strive for and indeed achieve shared objectives of public policy, shared value for business and society and – most broadly stated – to help improve the world and the communities in which they operate. Frequently, these new objectives are summarized as ‘contributing to sustainable development’ in its three dimensions – economic, environmental and social (the famous ‘triple bottom line’). The new mission of business requires companies to work not just with shareholders, but also with stakeholders. The new tipple bottom line mission also requires companies to set objectives, measure performance, and report to society.

While until recently CSR was understood as a way of building and sustaining good reputation, current research suggests that CSR initiatives are not a zero-sum game and can create value shared by both society and business. Importantly, there is considerable body of academic and policy literature pointing out the economic benefits of CSR (for a prominent policy statement, see European Commission, 2011: 3). Despite the costs of CSR implementation, the inclusion of social and environmental aspects into the strategy and functioning of a company can not only improve the morale of its employees and increase consumer confidence, but can also encourage investors to finance such a company. Publicly available information on issues such as environmental and social performance, management quality or internal governance transparency is clearly now vital for investors and shareholders in order to make accurate decisions (Repetto, 2004), as well as for other stakeholders (customers, suppliers, employees, communities and other social groups) that increasingly make decision based on qualitative impacts, corporate risks and performance. Moreover, more than ever before, stakeholders from the external environment of business, such as NGOs, governments, advocacy networks and employees, are demanding transparency and the active involvement of firms in solving important social issues and addressing pressing social challenges. Companies have begun to integrate cooperation with NGOs into their policies and strategies in order to carry out their activities responsibly and in accordance with business ethics (Derickson et al., 2007, p. 39) or to secure additional expertise when trying to achieve social impact in areas that they are not familiar with. In sum, engaging in CSR is increasingly being perceived as a sort of ‘enlightened self-interest’ on the part of business. In many ways, it is also a form of new social deal between the public sector and the private sector – while the public sector and government continue to provide essential public goods, private sector is expected to take on its share of responsibility (for background literature, see for example, Kotler and Lee, 2005; Visser, 2011; Porter and Kramer, 2006; Savitz and Weber, 2006; Blowfield and Murray, 2008; Lee, 2008; Athanasopoulou and Selsky, 2012; Laszlo, 2008; Sagawa et al, 2000; Kotler and Lee, 2004; Hawken et al. 2000; for a recent analysis of CSR across Europe, see Idowu et al. 2015).

The positive connotations of CSR are currently not a matter of dispute. A consensus appears to have emerged and most of the larger and multinational companies see CSR as a major part of corporate strategy. Research and evidence on CSR is growing, too (indeed, all major corporate websites have dedicated CSR sections). Many international and national business organizations have endorsed CSR: international examples include the World Business Council for Sustainable Development, the UN Global Compact, the International Business Leaders Forum, CSR Europe (formerly known as European Business Network for Social Inclusion), and the Business Social Compliance Initiative. Their easily accessible websites offer ample information and guidance.
Definition

The European Commission defines CSR as “the responsibility of enterprises for their impacts on society”. While a prerequisite for CSR is full compliance with existing legal regulations, CSR is about actions that exceed legal obligations. CSR requires companies to have developed and to implement a process of integrating social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders. The ultimate goals of company CSR could fall within two basic categories of positive social impact:

- maximizing shared value creation (shared between owners/shareholders, other stakeholders and society at large);
- identifying, preventing and mitigating possible adverse impacts of business activities (European Commission, 2011b: 6).

Policy context at the EU and the global level

Given that CSR is essentially a voluntary business-led activity, the EU has stressed that the role of EU agencies and institutions and national governments is only a supporting one and should aim at awareness raising and promotion of good practices, research and social policy analysis, voluntary policy measures and complementary regulation. The EU has focused on promoting CSR since the early 1990s. In 2001, the first Green Paper on CSR was published by the European Commission (2001). Already in this Green Paper, the European approach was clearly aligned with existing global and international initiatives, notably the United Nations Global Compact, the International Labour Organization’s Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (adopted in 1977 and amended in 2000 and 2006; see International Labour Office, 2006), and the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (see OECD, 2011). Compliance with the ISO 26000 Guidance Standard on Social Responsibility was added in policy statements by the European Commission after 2010. In 2006, the European Alliance for CSR (http://www.businesseurope.eu/european-alliance-csr) was launched by the European Commission. It brings together members of the business community and is supported by business organizations such as BusinessEurope and the European Association of Craft, Small and Medium-sized Enterprises (UEAPME). CSR Europe has so far been supported by over 250 companies (for the background Commission Communication, see European Commission, 2006).

European policy has contributed to increasing the number of companies engaged in:

- respecting the general principles of the UN Global Compact (see below);
- environmental sustainability (the focus is on implementation of the Environmental Management and Audit Scheme – EMAS; see below);
- labour standards;
- working conditions in supply-chains;
- CSR reporting (the focus is on the Global Reporting Initiative; for more information see General Annex 2).
UN Global Compact Principles

The 10 core principles promoted by the UN Global Compact seek to ensure that companies meet at least minimal fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption:

1. respecting the protection of internationally proclaimed human rights;
2. avoiding business practices that are complicit in human rights violations;
3. upholding the freedom of association and the effective recognition of the right to collective bargaining;
4. eliminating of all forms of forced and compulsory labour;
5. abolishing child labour;
6. eliminating discrimination in respect of employment and occupation;
7. supporting a precautionary approach to environmental challenges;
8. promoting greater environmental responsibility;
9. encouraging the development and diffusion of environmentally friendly technologies;
10. fighting corruption in all its forms, including extortion and bribery.

The UN Global Compact is engaged in monitoring of its signatory companies’ compliance with the 10 principles. It requires signatories to submit an annual Communication on Progress. Communications from various companies are available on the website of the initiative. The Global Compact recognizes that social responsibility is always implemented in local contexts and thus always reflects the needs and priorities of nations and communities. The initiative has Local Networks in some 85 countries (UN Global Compact, 2015: 9), including EU Member States and candidate countries.

ISO 26000 Guidance Standard on Social Responsibility

This standard was launched in 2010. ISO 26000:2010 provides guidance rather than requirements, so it cannot be certified to. It is not a management system standard. Guidance is provided in core areas of social responsibility and aims at assisting businesses and organizations to develop and implement CSR strategies. Several dimensions of CSR practice are covered (ISO, 2010; see General Annex 4) Guidance is provided in the field of 7 core subjects of CSR:

1. Organizational governance;
2. Human rights;
3. Labour practices;
4. Environmental impact;
5. Fair operating practices;
6. Consumers
7. Community involvement and development.

EMAS (Environmental Management and Audit Scheme)
EMAS is a voluntary environmental management instrument designed by the EU and aimed at helping companies and other organizations to improve their environmental performance and efficiency (with associated cost reduction and risk minimization), as well as their reporting on environmental issues. Additional benefits may include increased employee morale and credibility on the market. This is a management system designed to measure, evaluate, report and improve environmental performance, and it can be certified to. The certification process for a company involves several steps (EMAS, 2011: 6-7; see General Annex 5). EMAS includes 6 core environmental indicators (EMAS, 2011: 10):

- Energy efficiency;
- Material efficiency;
- Water consumption;
- Waste generation;
- Biodiversity (use of land);
- Emissions of greenhouse gases.

- Current policy priorities

The Renewed EU strategy on CSR (European Commission, 2011b) has been developed in the context of the economic crisis and seeks to promote the consolidation of sustainable business models within the EU. Among the prominent current priorities are:

- enhancing the visibility of CSR and disseminating good practices;
- improving and tracking levels of trust in business and societal expectations;
- promoting ways of rewarding responsible business conduct, including through improving consumer awareness, investment policy and public procurement;
- promoting and improving self- and co-regulation schemes of enterprises;
- improving company disclosure of social and environmental information;
- further integrating CSR into education, training and research;
- considering how complementary regulation can create an environment more conducive to CSR and how EU structural funds can be used to promote CSR.
## Development and Challenges of Social Entrepreneurship in the UK

**Authors:** Charlotte Carey and Inge Hill

### Historical context: origins and evolution of social enterprises in the UK

In the UK Social enterprise as a phenomenon dates back, arguably, to the 1840s. According to Social Enterprise UK, this was the starting of a cooperative that fed exploited factory workers (SEUK, 2015). Price (2008) goes back further highlighting a long history of organisations with social good as their cause.

As with SEUK (2015) Price (2008) highlights the cooperative movement whose foundation dates back to ‘the Rochdale Equitable Pioneers Society, set up in 1884’ (Price, 2008:13). The cooperative went on to become a ‘nationwide’ chain of shops. As the cooperative’s website highlights the journey from 1884 to the present day has seen many aspects of life considered under the social lens under its umbrella term. “The Co-operative Group is the UK’s largest mutual business, owned by millions of UK consumers. We operate 3,500 outlets and employ approaching 70,000 people… We have interests across food, funerals, insurance and legal services” (Co-operative, 2015: website).

The actual term social enterprise has been identified as first being used by Freer Spreckley in: Social Audit – A Management Tool for Co-operative Working, published in 1981. Here he identified the term: “An enterprise that is owned by those who work in it and/or reside in a given locality, is governed by registered social as well as commercial aims and objectives and run co-operatively may be termed a social enterprise” (Spreckly, 1981: 3). Spreckly has remained a leading thinker and operator within the sector and currently runs ‘Local Livelihoods’ a development agency and social enterprise that advise on matters related to social enterprise, NGOs and develops research, publications and training materials many of which are freely available via their website. Spreckly also feature heavily in work related to CSR as being responsible for coining the term the ‘triple-bottom-line’ where businesses were encouraged to capture wider benefits and value in terms of social and environmental alongside financial (more on this within the section on CSR).

From these early beginnings the sector has gone on to grow both from a practical perspective and also an academic research perspective, as evidenced by the growth of special interest groups and specialised tracks within conferences. For example, for the last ten years the annual Skoll World forum has taken place each year in Oxford UK. This also operates as a social enterprise. Bringing together thousands of invited participants ‘each year, nearly 1,000 distinguished delegates from the social, finance, private and public sectors convene in Oxford for three days and nights of critical debates, discussions and work sessions aimed at innovating, accelerating and scaling solutions to social challenges’. As with many organisations within the social enterprise sphere they too operate as a social enterprise. Selling information and insight to corporations and profits in turn facilitate the ongoing dialogue and debate that takes place each year at the forum (Skoll, 2015).

There has subsequently been the development of multiple, national, regional and local initiatives to support social enterprise, some of which are discussed within this report below. Current
estimates of social enterprise in the UK are frequently suggested to be 62,000 organisations. This is a widely cited statistic brought about by estimates from the Annual Small Business Survey (ASBS), which is published by the Department for Business & Skills (BIS). As reported in recent media "There are some 62,000 [social enterprises] in Britain today, contributing more than £24bn to the economy and employing nearly one million people," according to Conservative peer, Baroness Byford, (The Guardian Newspaper, 2012). These statistics have been criticized and the calculation used to arrive at them (Lyon et al., 2010). This is a messy and problematic area and relates to how organisations consider themselves. For example the Civic society almanac found that 81000 UK charities ‘self-identified as social enterprises’ (Floyd, 2013).

Major other actors in the wider social economy in the UK are cooperatives and mutuals. In the UK, however, these legal forms are not widely recognized as part of the social economy sector. In 2010, paid employment in cooperatives and mutuals represented 17.5% of total paid employment in the social economy (CIRIEC, 2012, pp. 32). According to Co-operatives UK (the central network of UK cooperatives) there are over 7,000 independent cooperatives across the country (COOP, http://www.uk.coop/) owned by over 17 million individual members (the majority of them being consumer cooperatives, agricultural cooperatives and housing cooperatives).While these are not necessarily social enterprises they often have a social objective and an important distinction between a social enterprise and cooperatives “It is important to recognise that social enterprises can be structured as a for-profit or non-profit. A cooperative (also co-operative or co-op) is a business organization owned and operated by a group of individuals for their mutual benefit” (Entrepreneur envoy, 2016: website)

The social enterprise sector in the UK

There are many different forms of organization that are often termed ‘social enterprises’ and in some respects fulfil the definition laid out by the DTI ‘a social enterprise as a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners” (DTI, 2002). This initial definition was borne out of the ‘enthusiastic response’ by the UK’s previous Labour administration (1997-2010) that, as Mawson (2010) highlights, adopted a ‘third way philosophy’ to the whole notion of social enterprise, viewing it as a means to balance out the otherwise globalised trajectory:

“It was to go on and promote a holistic and socially orientated model of enterprise which fitted with New Labour's Third Way philosophy. Social enterprise was seen as reflecting the virtues of collective self-help to address unmet needs, a progressive form of management actively involving the workforce, facilitating local democracy and community engagement and promoting sustainable development balancing economic, social and environmental issues”

(Mawson, 2010, p. 68)

The DTI definition, while still widely adopted, has been built upon via the EU definition as used in this project report.

There is a vibrant, growing number of social enterprises in the UK. However, there is a lack of clarity of the actual number of social enterprises due to the varied definitions used by surveys and researchers. Criticism has been raised regarding the growth myth of social enterprises (Teasdale, 2012) highlighting the different definitions used for surveys over the years widening the scope of types or organisations that can be called social enterprises. The Small Business Survey data using
different criteria (see Box 1) sees a trend of decreasing numbers of social enterprises based on their definition. The Social Enterprise UK bi-annual survey shows a growing number of organisations. The two examples below are indicative of the difficulties in getting accurate statistics on social enterprises.

<table>
<thead>
<tr>
<th>The following criteria provide a “good fit” for social enterprises:</th>
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<tbody>
<tr>
<td>● Self-perception as social enterprise</td>
</tr>
<tr>
<td>● Up to 50% of profits can be paid to shareholders</td>
</tr>
<tr>
<td>● Up to 75% of income can come from grants and donations</td>
</tr>
<tr>
<td>● At least 25% of income comes from trading</td>
</tr>
</tbody>
</table>

**Box 1: Criteria for Social enterprise based on small business survey data (BMG, 2013)**

If the organisation sees itself to be a social enterprise in the sense of the above 2002 DTI definition and a very good fit, an overall “very good fit” is identified; should the self-classification only see a quite good fit with the 2002 definition, a “good fit” is identified.

According to this survey, about 70,000 organisations qualify as “very good fit”. As a good and very good fit and including organisations without employees 688,200 could be found. These figures exclude large organisations with over 250 employees such as some housing organisations.

Typical sectors for good fit and very good fit organisations include leisure, food, health, arts. Most common organisational types are membership organisations, accommodation, sports and leisure, social work, food services, residential care and human health. In terms of age, the very good fit organisations were more likely to be led by women and older people, good fit ones more likely to be minority ethnic led and disabled led.

Compared to SMEs both types of social enterprises were less likely to have made a surplus and had a lower turnover generally speaking (665,000 compared to 1 million with SMEs). Reliance on grant income compared to 2010 seems to have gone down. Growth aspirations amongst social enterprises match those of SMEs. Yet, access to finance was more difficult for social enterprises than SMEs. In terms of employment growth, that was worse for social enterprises than SMEs.

The social enterprise national umbrella organisation Social Enterprise UK carries out a bi-annual survey on the state of social enterprises. According to the latest survey from 2013, these are the scale and characteristics of social enterprises in the UK (Social Enterprise UK, 2014). Arguably “Social enterprise”, seems to be a label that is applied to a wide range of organizations with varying purposes in the UK that can be summed up as making a difference either to people, society and/or the environment (Hill, 2015).

In 2012 there were 70,000 social enterprises in the UK, albeit this has, as described previously, been questioned (Social Enterprise UK, 2014). They employed about one million staff. There are three times as many social enterprise start-ups than for-profit businesses. Social enterprises grow quicker in turnover than for-profits (38% compared to 29%). The sectors most-often chosen by all UK social entrepreneurs are education and consultancy followed by employment skills and housing, retail, culture and leisure and health services. 72% of all social enterprises generate income through trading, with the remaining number delivering their services on grants and donations only.
Legal framework for social entrepreneurship in the UK

- Legal structures for social enterprises

The following is an extract based on work by Hill and discusses issues of legal structures and social enterprises (2015): Most social enterprises in the UK still today are companies limited by guarantee. The most common arrangement is that they are charities that were also incorporated as companies limited by guarantee. The advantages of this type of a company include the creation of an independent legal body that can enter contracts and limits the liability of directors, contrasted to the trustees of the charity who are personally liable and enter contracts on behalf of the organisation in their personal capacity. Trustees are personally liable. Charities are regulated by the Charity Commission, a governmental body that closely monitors the social purpose of the charity as laid down in the founding documents, (https://www.gov.uk/government/organisations/charity-commission) and companies limited by guarantee by Companies House, like all other companies.

Since 2005 another legal form is in force that allows for a wider range of options, the Community Interest Company, either in the form of a company limited by shares or limited by guarantee. A CIC is a limited company, with features created for citizens who intend to conduct a business activity for community benefit (including environmental issues). The CIC is regulated by a separate body, the CIC regulator (https://www.gov.uk/government/organisations/office-of-the-regulator-of-community-interest-companies). For all social enterprise start-ups the choice of legal form has impact on the perception of legitimacy as an organization for community benefits and the possibility of investment: CIC is regarded as the most suitable form by many investors. The quickest way to start a social enterprise is to register a company limited by guarantee. This legal form can be changed later to a CIC if and when that should be regarded as more suitable (Hill, 2015).

- Important laws and regulations

Important laws influencing the operations of social enterprises in the UK include the Social Value Act, officially called the Public Services Act, and the regulations for Community Interest Companies and charitable incorporated organisations. The Public Services Act advises government bodies to trade with social enterprises and engage with them as providers. There is, however, no coherent legal framework that spans all issues regarding social enterprises. Due to EU regulations, there are formally no procurement rules in places that can positively discriminate against social enterprise as providers to the public sector.

The main law regulating cooperatives and mutuals in the UK is the Co-operative and Community Benefit Societies Act from 2014.

Support for social enterprise in the UK

The UK has a well-developed infrastructure for social enterprises support, which varies vastly between urban and rural areas: most support is located in urban areas. The following outline summarises the existing public and non-profit support schemes for social enterprise start-up and social enterprise development (Hill, 2015).

At a national level for England there are two main stakeholders which are social enterprises themselves offering pre- and start-up support: The School of Social Entrepreneurs and UnLtd are
the two most important England wide operating schemes for supporting social enterprise ideas (see Hill, 2015). The School of Social Entrepreneurs offers a year-long scheme that involves new social enterprise start-ups in peer action learning sets and offers training and a mentor from industry, combined with funding. UnLtd is an organisation offering three type of awards:

a) For those who have an idea: the Do-it award

b) For those who have developed the idea and have been trading recently: the build-it award

c) For those who are established social enterprises: the fast-growth award.

In recent years, a number of specialist awards have become available from awards for specific topics, such as ageing well, to Star wards for those projects aiming to improve the local area (see https://unltd.org.uk/starpeople, accessed 4/6/15).

Until 2014, there was a specialist social enterprise award programme for student and staff in Higher Education, supported by UnLtd and the Higher Education Funding Body for England, HEFCE, offering three grants from Try-it - for those with an idea, Do-it - for those with a developed idea, to Build-it- for those with an established social enterprise needing help. (The co-author of this report Dr Inge Hill held a Do-it-Award from UnLtd for a social enterprise project.)

At the local and regional level, there is a plethora of other start-up support offered by Councils, European projects, charities, social enterprises. In Birmingham, an example is I-SE, the Initiative for Social entrepreneurs, a social enterprise offering start-up and business development advice (http://www.i-se.co.uk) or Acess2Business, Wolverhampton, a charity and social enterprise in Wolverhampton (www.access2business.co.uk). From 2012 to 2015, Birmingham City Council offered match funding to an ERDF co-funded start-up programme called Enterprise Catalyst, offering pre- and start-up support for for-profit and social enterprise ideas (Hill, 2015).

Key actors and networks, stakeholders

At central government level, all of the UK governments had an office addressing the Third Sector, established in 2006, and coming out of the Social Enterprise Unit (founded in 2002) (often also called the non-profit sector) and its challenges, part of the Cabinet Office, the office close to the Prime Minister. Under the Labour government this was the Office of the Third Sector, which was quickly renamed the Office for Civil Society when the Conservative Party took over running the UK in 2010. In 2015, there is a Minister for Civil Society at the job level of a Parliamentary Secretary who oversees the government’s activities regarding social enterprises (for further information follow https://www.gov.uk/government/ministers/parliamentary-secretary-minister-for-civil-society, accessed 4/6/2015).

Arguably the most important social enterprise membership and advocacy body at national level is Social Enterprise UK (see www.socialenterprise.org.uk). Additionally, there are a number of regional and local social enterprise networks, such as for Birmingham and Solihull the Birmingham and Solihull social economy network (www.bssec.org.uk). Scotland and Wales are differently organised with a number of their own networks. For a small membership fee, the body acts an advocate towards government and builds a stronger voice for the sector (see Hill, 2015). The very first social enterprise body in the UK was Social Enterprise London.

Some highly regarded and influential, national newspapers have developed their own news channels online on social enterprise issues, for example: The Guardian (http://www.theguardian.com/society/socialenterprises) or the sustainable business site of the
same newspaper, publishing news, interviews, new reports etc. on the site to reach out to a larger audience.

As mentioned previously Co-operatives UK has a substantial support as well as historical role within the UK social enterprise community. The national network organization of UK cooperatives provides support for start-ups, specialist advice for growing cooperative enterprises and programmes aimed at developing the sector as a whole (COOP, http://www.uk.coop).

*Social enterprise certifications in the UK*

![Social Enterprise](image)

Being a certified social enterprise can make a difference for winning business (see for example http://www.theguardian.com/social-enterprise-network/2011/nov/16/benefits-certified-social-enterprise-business, accessed 10/6/2015). The UK has one established mark, the social enterprise mark (see figure 1). Calling itself the UK authority for certifying social enterprises, an independent test is carried out on applicants that they meet a number of criteria (see below) established in 2009. Launched in 2010, an independent panel (consisting of legal experts, business people and social enterprise experts) then decides if the applying organisation receives the mark.

More recently, the Social Enterprise Gold Mark was developed to assess on an ongoing basis the performance in governance, business ethics and financial transparency (this link provides further detail http://www.socialenterprisemark.org.uk/social-enterprise-gold-mark-excellence-framework/, accessed 10/6/2015).

**Box 2: The qualification criteria for achieving the Social Enterprise Mark**

- have social or environmental aims
- have own constitution and governance
- earn at least 50% income from trading (new starts pledge to meet this within 18 months)
- spend at least 50% profits fulfilling social or environmental aims
- distribute residual assets to social or environmental aims, if dissolved demonstrate social value


Box 2 highlights the criteria an organisation needs to meet to be awarded the Social Enterprise Mark. Key benefits include: increased credibility for being a genuine social enterprise and gaining from collateral marketing for accredited social enterprises, increasing the chances of winning contracts in particular with the public sector. This certification offers social enterprises a means to be recognised and acknowledged for their “governance, ethical business practice, social, environmental impact and financial transparency” (Social enterprise mark, 2015: website).
Scotland also adopted the mark in 2009 (Ainsworth, 2009). The mark has not been without criticism, with some suggesting that the criteria are too rigid and this was a limiting factor on its uptake (Patey, 2011). However, it does offer a means for businesses to highlight their attempts to act in a social capacity.

Since 2013, there has been a second accreditation, called the Fair business Mark, launched by a UK Thinktank as an alternative to the Social Enterprise Mark. It is free of charge for very small organisations (with a turnover below £10,000) and only charges comparatively low fees for larger organisations; the criteria are less strict and do not prescribe a non-profit legal form (see http://www.civilsociety.co.uk/governance/news/content/16241/think_tank_social_enterprise_accreditation_scheme, accessed 5/6/2015).

SFEDI social enterprise advisor
The only publicly recognised qualification of social enterprise advisors in the UK is offered by SFEDI, the small firms’ enterprise development initiative. The SFEDI awards a ‘Practitioner Certificate in Social Enterprise Support’. It is not a qualification but an accreditation of the ability of the advisor to support social enterprises. It consists of a practice assessment in advisory sessions and a knowledge test through answering a number of questions in writing (for more information follow this link http://www.sfedi.co.uk/endorsed-awards-and-qualifications/sfedi-endorsed-award-for-social-enterprise-advisors) or talk to Inge Hill who is accredited.

Social enterprise awards and prizes
On an annual basis, awards celebrate the achievements of social enterprises. There are numerous bodies offering these awards, for example, social enterprise umbrella organisations, from regional ones, such as Social Enterprise West Midlands, to national ones, Social Enterprise UK, Trade bodies such as Social Trader, UnLtd offers growth award winners, or international Banks, for example Santander, the Santander Social Enterprise Development Awards (http://www.santanderseda.co.uk/), the social enterprise catalyst and fast growth awards.

Awareness raising and knowledge sharing
Social Enterprise UK are perhaps the most notable of support agencies. They are a national body made up of and sustained via their members. They act as a lobbying organisation, carry out research and ultimately aim to raise the profile and standing of social enterprises.

On a more local level there appear to be support organisations across the UK helping support Social enterprises within local areas. Examples include: In London the School of Social Entrepreneurs (SEE) (which has now become an international offering with ‘schools’ throughout the UK and from London to Australia), this was established “By working with corporates, the government and large trusts and foundations we’re able to offer social entrepreneurs the support they need to get their ideas off the ground.”(SEE, 2015). The SEE provides courses and one day training events tailored for social and would-be social entrepreneurs. In Brighton and Hove there is the ‘Brighton and Hove Social Enterprise Network’. Interestingly, they are partnered with one of the city’s universities and they provide business support for existing and new social enterprises and the local authority.

Physical infrastructure (e.g. shared working space)
As with many aspects of social enterprise, the UK appears to be well-established in this area. There are a number of both local and regional and international examples of physical infrastructure on
offer. Possibly one of the most well established offerings globally are ‘Impact hubs’ with over 67 impact hubs worldwide. The UK has just 5 and only one outside of London (in Birmingham). While not exclusively for social enterprises, impact hubs have the following mission:

“Part innovation lab, part business incubator, and part community centre, we offer our members a unique ecosystem of resources, inspiration, and collaboration opportunities to grow impact. Joining our diverse community of members and collaborators will inspire, connect, and enable you to develop your best work every step of the way.” (Impacthub, 2015)

The emphasis on work and support is for the benefit of the community at large.

- **Local**

On a more local level, the BVSC (Birmingham Voluntary Services Centre) offers co-working space specifically for social entrepreneurs. This is a membership scheme and members benefit from a city centre environment where they can pay by the hour for office/desk space and benefit from networking with other individuals. In addition, VSC also offer support with funding as well as their work specifically devoted to the voluntary sector.

<table>
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<th>Case study</th>
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<td>Within Birmingham an alternative is Moseley exchange just outside of the city centre in Birmingham’s creative suburb Moseley. Moseley Exchange is itself a social enterprise and offers co-working spaces for “those who work as independents, or perhaps work from home part-time and seek to be part of a friendly and supportive community of coworkers. Or you may just need some local office space and a place for meeting colleagues or clients. Many of our members are “solopreneurs” or new business start-ups” (Moseley exchange website, 2015)</td>
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- **Regional**

Within the West Midlands conurbation further evidence of the impact of social enterprise and provision which is emerging can be found in Walsall. There for example is the recent development of the Goldmine. While this is a building developed to provide a number of services to disadvantaged youth, part of this provision is an incubator space for young people starting up social enterprises. This initiative is part of the activity of a number of local agencies including the local council and a larger social enterprise ‘The Vine Trust’. As the Goldmine centre suggest: “Development of a social enterprise culture and network is a crucial part of this, growing knowledge and an environment where social enterprise can start-up is vital.” (Goldmine, 2015).

Perhaps a surprising addition to the area of physical infrastructure is recent developments from Barclays bank who have in recent years also become involved in the social enterprise field. Working in partnership with charities who are devoted to repurposing disused space they have turned over some of their disused banks for use by social enterprises: “social enterprises, entrepreneurs and community groups will be offered free space in a move by Barclays to encourage local enterprise, continuing its support for entrepreneurs”. (Barclays, 2015)

**Financial solutions for social enterprises in the UK**

According to NESTA (2015) the UK has been a ‘pioneer of innovation in finance for impact’. They describe impact investment funds as being those ‘that fund the creation of new innovations…that will change the world’. They highlight that the focus for many businesses has
increasingly been on social impact rather than just financial. NESTA themselves offer ‘social investment bonds’, which social enterprises can bid for.

With support from central government to initiate and develop an investment market for social enterprises multiple organisations and initiatives have been established to facilitate this: “There’s a new social investment market emerging. It’s developing ways to connect socially motivated investors with social sector organisations that need capital so they can grow and make a greater impact on society” (Big society capital, 2015). Big Capital society is one of these initially started with seed funding from government. They identify that: “Social investment is the use of repayable finance to achieve a social as well as a financial return” (Big society capital, 2015)

Figure 2: Segmentation of UK social impact investment market.
(Source: UK National Advisory board, Building a social impact investment market, 2014, p. 7)

Figure 2 highlights the structure of the UK social impact investment market. A great deal of activity within the UK social impact market was kick-started in 2000 when the ‘Social Investment taskforce’ was established. While it was independent, it was launched by the HM Treasury (UK government) and the group was tasked with researching and making recommendations to government about how to build and sustain this type of activity.

A number of initiatives were established some of which were seed-funded by the UK government and what has become evident as more private firms have sought to follow this more socially motivated forms of investment is that the appetite of the supply-side (those wishing to invest) has increased.

*Dedicated financial instruments (e.g. social investment funds)*

The recent and current administration in the UK Conservative and Liberal democrat coalition 2010-2015 (and continued by the current Conservative majority 2015) developed the notion of ‘The Big Society’. As part of this was recognition of the need to support social enterprises and the benefits that they brought society more widely. While arguably this was an attempt to have private enterprise take on much of what the state had previously provided, it has led to a number of initiatives. The enterprise Investment scheme aims to offer individuals significant tax relief if they invest in social enterprises. In turn, social enterprises can source funds at start-up and ongoing investment through the scheme.
A national taskforce was developed in response to the G8 and as the following quote suggests, while there are funding issues for social enterprises, there is a growing body of organisations who offer these types of investments:

“There is now a diversity of intermediary organisations emerging, particularly helped by the funding of Big Society Capital, which by the end of its second year, had made 31 investment commitments totalling £149 million. Whilst four large social banks still dominate, wholesale funding has driven increasing specialisation of intermediaries, including by region, product type and social issue, such as the North East Social Investment Company, Bridges Social Impact Bond Fund and NESTA’s Impact Investment Fund. In addition, advisory organisations have emerged, such as ClearlySo and Social Finance.” (UK NATIONAL ADVISORY BOARD, 2014: 6)

In addition, since 2002 another key organization in the UK social enterprise funding arena is the Social Investment Business Foundation (SIB Foundation) - the parent charity of the Social Investment Business.

“The Foundation has been making social investments with our own funds for more than a decade and have already played a transformational role in developing social investment opportunities in the UK. Through the Adventure Capital Fund and the Community builders Fund, our Foundation has invested more than £63million in over 400 community organisations, supporting the development and regeneration of some of the most deprived communities around the UK”

(SIB Foundation website)

Another important aspect to consider is the role of the banking sector. Here the cooperative banks have taken a lead in offering bank accounts specifically for social enterprises. In addition, they will only invest in ethical businesses; as such they offer both business and consumers the opportunity to make ethical banking decisions. Harvey (1995) identifies that this proactive marketing strategy to position the cooperative as an ethical bank dates back to 1988.

**Opportunities and barriers for social enterprise in the UK**

There appear to be multiple views in terms of public awareness of social enterprise, which could be problematic in terms of reaching consumers. Some argue that this could prove problematic when social enterprises are responsible for delivering public services for example childcare. However, in the business to business environment there appears to be clear understanding and engagement. This is partially evidenced through the uptake of investments into social enterprise. Lack of specialist business development services and support has also been a criticism and in the early days of social enterprise, being a key policy directive, this was a criticism frequently levied at the then administration.

However there are opportunities for the public and private sector companies to trade with social enterprises. This can be facilitated through specialist directories, that raise awareness of social enterprises and their product and service offer. These exist at national and regional level (see for example, [http://buysocialdirectory.org.uk/](http://buysocialdirectory.org.uk/)) to help anyone interested in trading with or buying from social enterprises and to increase choices for suppliers (Hill, 2015). Many social enterprises prefer to trade with other social enterprises and use the directories to find their suppliers.
Promotion of social entrepreneurship in education in the UK

Entrepreneurship education has had an increasing presence and emphasis in the last ten-twenty years. From a policy perspective, entrepreneurship, it has been argued, is seen as a panacea for resolving changes in industry and the move away from manufacturing within the UK (Matlay, 2007). This has led to growth within the research and pedagogical field of entrepreneurship education (Rae, 2009). This is evidenced by the plethora of conferences, workshops and special events dedicated to developing entrepreneurial students (Carey and Matlay, 2011). More recently this has developed to acknowledge and encourage social enterprise.

This is evident in policy and also teaching frameworks deployed within UK higher education. For example:

“Interest in social enterprise is increasing with schemes such as HECFE and UnLtd’s higher education support programme promoting social entrepreneurship to staff and students at higher education institutions in their area of influence. The Institute for Small Business and Entrepreneurship argued in 2004 that there was a need to develop programmes tailored to the specific needs of target markets, rather than providing generic courses. They recommended this should include all facets of enterprise and entrepreneurship education: curriculum based, extra-curricular activity for students, and university-based business start-up support for students and graduates.” (QAA, 2012, p. 6)

In addition, the ‘foundation for Social entrepreneurs’ was set up with the sole purpose of supporting social enterprise. Funded by an endowment and grants made available from the interest of that endowment, UnLtd work with HEFCE to help create opportunities and support social enterprise within universities

“HEFCE and UnLtd are currently partnering on SEE Change and working with 59 universities to help mainstream and embed social entrepreneurship support within the HE sector. Maintaining the momentum of this work to date, we aim to strengthen and broaden HE sector support for social entrepreneurship and social enterprise. Our aim is to build knowledge, expertise, capacity and resources to enable a university led ecosystem of support for social entrepreneurs to mature and become self-sustaining.” (Universities UK)

Partially this issue is about the relationship universities have with social enterprise as external organizations, how they foster and grow social enterprises as university spinouts and how they go about teaching students about and for social enterprise (see figure 3).

Figure 3: Types of social enterprise support offered within universities

Source: Social enterprise: Delivering benefits for all (Universities UK, 2012: 6)
In addition, courses are emerging across the Higher Education field which are specifically targeting those prospective entrepreneurs who might be socially motivated, for example: MSc Social Entrepreneurship at the University of Essex, MSc in Social Enterprise at Sterling University (Scotland), Foundation Degree Fd (A Business and Social Enterprise at Oxford Brookes University) and Developing management skills for the third sector, Cert HE Charity and Social Enterprise Management at East Anglia University. These final two examples are aimed directly at existing staff working within the social enterprises. Although this is not a thorough analysis of all HE provision for social enterprise, a couple of key factors emerge: Those universities engaged in this activity tend to be new (post-92) universities and there tends to be a focus on post-graduate and in-company training as opposed to under-graduate provision, suggesting that the market thus far may not be robust enough to support dedicated undergraduate programmes. However, evidence from he surveys carried out suggests that there is increasing use of social enterprise within pedagogy and increasingly dedicated modules.

Perhaps one notable HEI that has been leading activity for a number of years in social enterprise is Northampton University who, having made a commitment to social enterprise in 2010, have recently achieved: “Ashoka U, the world's leading network of social entrepreneurs, awarded the University of Northampton the international accolade of 'Changemaker Campus” (Northampton University, 2015).

Evidence from educators surveyed by the researchers, relating to social enterprise, suggests that enterprise educators are already well-versed in social enterprise. This appears to be in terms of providing case studies or pedagogy that is stimulated by a social cause. An example is generic entrepreneurship provision where students are encouraged to come up with a new business scenario and do so in response to a social or environmental issue. In addition, this also appears to extend to those specifically working with creative disciplines.

### Involvement of Business in Corporate Social Responsibility in the UK

**Author: Sarah Digby**

#### Historical context: origins and evolution of corporate social responsibility in the UK

Within the UK, CSR has been aligned with the operations of Business, dating as far back as the East India Company (EIC) in the 1600’s (Idowu, 2011). The EIC was considered the mother of modern multinational companies and an example of business carrying out its duties to society. These duties essentially comprised of employment of a multitude of tradesmen, seamen, shipbuilders and clerks across the west and east. But the EIC exemplifies that since the inception of the business enterprise, society entrusts certain responsibilities to business that must be met to in order to contribute to the functioning of society (ibid, 2011).

Later evidence of CSR in the UK, emerged after the Industrial Revolution, where examples of businessmen recognising their wider obligations, firstly to society began to emerge. Examples
include: Richard Arkwright (1755) who identified workers were ‘human assets’; George Cadbury (1878) and Joseph Rowntree (later in 1904), both Quakers, who built villages in both Bournville (Cadbury) and York (Rowntree) for workers, as well as gardens, reading rooms and wash houses to ensure the well-being of their workers and Sir Robert Peel (1830) who fought to regulate the use of child labour in factories across the UK.

These examples pre-date much of the established literature suggesting that CSR really began in the 1950’s (Crane et al, 2008), but serve as a reminder that business and society (and the environment) has always had an interrelationship, both within the UK and indeed globally.

As CSR began to take shape in the UK from the 1950’s, Murphy (1978, cited in Crane, 2008) identified 4 eras of CSR. The period up to the 1950’s was considered the ‘philanthropic’ era, from 1953-67 was considered the ‘awareness’ era, where CSR gained more recognition. The period 1968-73 was termed the ‘issues’ era, where companies started to focus on specific issues. Then this era gave way to that of ‘responsiveness’ (1974-80), during which businesses began to take more serious management and organisational actions to address CSR.

During these periods key influences emerged which shaped contemporary thinking of CSR. Howard. R. Bowen, author of what is considered the beginning of modern literature on CSR, *Social Responsibilities of the Businessman* (1953) is named ‘father of CSR’ and Morrell Heald in the 1970’s a further guiding influence and author of *The Social Responsibilities of Business: Company and Community, 1900-1960*, for example. Other notable influences include William.C. Frederick and Archie B. Carroll, who is famed for his theoretical model, prioritising economic stability and key to organisations, followed by compliance and then CSR (similar in structure to that of Abraham Maslow’s hierarchy of Human needs).

These key writers generated much discussion and hegemony about the nature of business and the responsibilities a business has to its stakeholders. They also stimulated debate on whether CSR is something that is done, an extra to normal operations, perhaps, or something that is indicative to business operation and this debate still continues in the UK today.

In the 21st Century CSR has been very much hampered by calls for empirical evidence and metrics and what emerged in the early 2000’s, fuelled by business, was the need for ‘business case’ (Kotler and Lee, 2005). More political interest in the area, within for example the European Community and the notion of societal governance began to emerge (Moon, 2004). A further debate continues presently and will be an underpinning theme of other parts of this report.

**Prevailing definition and practice of CSR in the UK**

Over the years the prevailing definition of CSR in the UK has changed in emphasis as with perhaps the importance placed upon it by political agenda (Moon, 2004) and business. The table below highlights some of the accepted definitions which have emerged over the past decade.

*Definitions of CSR in the UK (adapted from Idowu, 2011)*

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<thead>
<tr>
<th>Author</th>
<th>Definition</th>
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<tr>
<td>Carroll (1999)</td>
<td>The obligation of businessmen to pursue policies, to make decisions, or to follow those lines of action that are desirable in terms of objectives and values of our society</td>
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The obligations of the firm to its stakeholders – people and groups who can affect or who are affected by corporate policies and practices. These obligations go beyond legal requirements and the company’s duties to its shareholders. The fulfilment of these obligations is intended is intended to minimise any harm and maximise the long-term beneficial impact of the firm on society.

CSR are actions that appear to further some social good, beyond the interests of the firm and that which is required by law.

CSR is the overall relationship of the corporation with all its stakeholders. Elements of corporate social responsibility include investment in community outreach, employee relations, creation and maintenance of employment, environmental responsibility, human rights and financial performance.

CSR is concerned with what is – or should be – the relationship between the global corporation, government of countries and individual citizens.

CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.

CSR is a commitment to improve community wellbeing through discretionary business practices and contributions of corporate resources.

The responsibility of enterprises for their impacts on society, whereby companies integrate social and environmental concerns in their business operation and in their interactions with their stakeholders on a voluntary basis.

CR is the voluntary action businesses take over and above legal requirements to manage and enhance economic, environmental and societal impacts.

The table highlighting the various definitions over the years identifies some interesting aspects to be discussed. Initially we can observe that each definition infers that relationships of some sort with those who have an interest in the business are crucial to CSR. Each definition implies that CSR is something that businesses ‘do’ for the betterment of those interested parties, that this is beyond legal compliance and is essentially voluntary. What is of discourse perhaps is whether CSR is an obligation (as indicated in the earlier definitions of Carroll and Bloom and Gundlach, 2001), is an action (MacWilliams and Siegel, 2001 and UK Government, 2014) a concern (Crowther and Rayman-Bacchus, 2004), concept (European Union, 2004), commitment (Kotler and Lee, 2005) or a responsibility (E.C, 2011). This inconsistency in the terms of reference for the definition and lack of clarity is an underpinning and persistent issue affecting the credibility of CSR in the UK.

Ward and Smith (2006) highlighted the significance of the persistent lack of clarity in their report Corporate social responsibility at a crossroads: Futures for CSR in the UK to 2015. Ward and Smith (2006) also predicted that by 2015 CSR may well be dead in the UK, stating that by its very nature business has responsibilities and obligations in a capitalist society and as such questioned if CSR is a part of an everyday practice as part of the social contract between business and society and should be mainstreamed.

Whilst CSR has evolved and is certainly not dead in 2015 within the UK, some of the predictions of the report hold currency. There is still a lack of clarity on the definition; indeed the term CSR is becoming increasingly less popular in business and society. The move away from the term CSR towards responsible business, derives from a number of factors, but most notably that the ‘corporate’ nature of the term CSR tends to be unfriendly towards SMEs. Indeed the term
‘responsible business’ (RB) is considered more inclusive (BiS, 2014) and accessible to business of all size and sectors. A further term used by the present Government is that of Corporate Responsibility (CR). The rationale for CR being that a responsible business extends beyond social, which is often inferred with the term CSR. As such the terms CR and RB will be used in the remainder of the report.

A final point raised by Ward and Smith (2006) identifies that CSR was, at the time of writing ‘at a crossroads’. This ‘crossroads’ identified two distinct paths for CSR. One path, CSR or CR remains a voluntary, market driven, business action and one path which calls for corporate accountability, introducing forms of legally binding regulation and reform to company law with social ends. One of these paths sees CSR remain a bolt-on to existing practice and one mainstreams activities into general corporate operations. This area will be discussed further in the following sections of the report, because despite being identified in 2006, it appears that we are still at this crossroads in the UK.

Contextual factors and conditions affecting CSR in the UK

Existing policy and regulatory framework in the UK

Within the UK, the Government believes very firmly that CR/RB is by definition voluntary and should be business led. Notwithstanding there are laws which regulate and govern business conduct, such as UK laws and regulations relating a business’s economic activity, employment rights, environmental protection and the Duties of Director’s. Indeed the Companies Act 2006 has now added requirement for Directors to have regard to community and environmental issues when considering their duty to promote the success of the company (Pinsent Masons, 2015). Furthermore, whilst not explicitly mentioned as CSR, the UK Corporate Governance Code places requirements that the Board ensure shareholders and other obligations are understood and met (ibid, 2015).

One recent piece of legislation, places perhaps one of the most explicit requirements for responsible practice - The Public Services (Social Value) Act. The Act came into force on 31 January 2013 and requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits. Commissioners need to consider whether the services they are going to buy, or the way they are going to buy them, could secure these benefits for their area or stakeholders. The Act is a tool to help commissioners get more value for money out of procurement. It also encourages commissioners to talk to their local provider market or community to design better services, often finding new and innovative solutions to difficult problems (Gov.uk, 2015).

In the UK the Department for Business Innovation and Skills (BIS) drives CSR policy and cross cutting policies fall into various governmental sub departments such as: Department of Environment, Food and Rural Affairs (DEFRA), Department for Work and Pensions (DWP), Foreign and Commonwealth Office (FCO) and Environment Agency (EA). HM Treasury tends to lead CSR policy in coordination with regional and local authorities. Government tends to adopt a partnership approach, with devolved administrations working closely with regional development agencies and also local strategic partnerships to drive initiatives. At present there is no official government-led multi-stakeholder forum, although most initiatives invite multi-stakeholder participation (Albareda et al, 2008).
As the debate for greater governance continues it would appear that CR/RB remains very much voluntary, indeed BIS (2014) cites that due to the complexity of business operations in the UK (Size, Scale, Sector) a universal approach to CR/RB would be too complicated and end up a ‘box ticking’ exercise in compliance. As such a flexible approach is suggested whereby SMEs, Micro Enterprises and MNCs can all be innovative in their adoption of CR/RB practices. However, in the business community there are some calls for greater legislation and regulation of activities, for example Gerry Boyle, of CARE International (cited in BIS, 2014), calls for the UN Guiding Principles on Business and Human Rights to be legally enforceable; Tom Levitt, of Sector4Focus calls for the Social Value Act to be extended into the private sector.

Despite some convincing arguments, consensus appears, at present, to reside on a ‘light touch’ by government where the role of government is to facilitate dialogue between business, regulators and other stakeholders. Indeed Albareda et al (2008) suggests government adopts a relational framework in relation to CSR. Further opportunities exist for Government to provide more guidance, perhaps setting minimum standards or publish case studies sharing good practice.

*Relationship between business and society in the UK*

Contributors to a Government *Call for Views on CR* in April 2014, identified that there appears disconnect between business and society, particularly at a local level. The respondents further identified that businesses did not know or understand social issues that existed and how they might help. Conversely charities and local communities did not articulate issues well enough for business to understand how they may play a part. What exacerbates this disconnect within the UK could be the lack of communication and common language between these two key actors, which if bridged could be a very powerful tool for generating social and environmental value.

What emerged from the Government *Call for Views* was that from a business perspective, there was desire to support local communities, but there appeared a shift away from the philanthropic towards a pursuit of more shared value. There exists a greater expectation that both parties should benefit through shared value and a need to develop opportunities by creating partnerships and greater communication between actors to see this happen.

Common language is an important factor to consider. It is often a source of criticism that the language of business and that of those calling for more responsible behaviours by organisations lacks synergy. Business calls for a ‘return on investment’, a ‘business case’ and often the very nature of what could be considered ‘wishy washy’ outcomes of actions just does not demonstrate the metrics business calls for. Care needs to be taken to facilitate dialogue using common language between stakeholders.

It has been identified within the UK that there is need for greater collaboration between businesses also. This could be in relation to sector, where collaboration through supply chains could be beneficial and generate shared value. But also, BIS (2014) suggests that there are few examples of SMEs working with larger organisations which means opportunities for mentoring, knowledge exchange, resource sharing and collective bargaining are being missed.

Two important non-governmental organisations exist within the UK: Trading for Good and Business in the Community and they have a key role in facilitating relationship building and communication between society and business.

*Trading for Good*
Trading for Good is a digital service helping small businesses to improve their reputation and showcase their good work in the community with others. They also provide advice and guidance to assist small businesses understand their communities and get involved. The website offers the opportunity for consumers and businesses to make an informed choice of the companies that they purchase from and gives businesses the chance to showcase their good practice and social value. The website provides a barometer for every member business which highlights key aspects of the businesses performance, such as amount fundraised and donations. See the figure below for a profile of Barnes Construction.

Business in the Community is one of the Prince’s Charities and its President is HRH The Prince of Wales. Their purpose is to build relationships between business and society and to stimulate action to better communities by challenging business and supporting a transition towards more responsible conduct. Their key areas of activity include addressing: unemployment (particularly youth), skills shortages, inequality (in pay and conditions for black and minority groups), stimulating local economy and education.

Further sources of support for Businesses to facilitate better communication could be joining on of the many emerging ‘networks’. Network for Business Sustainability, for example, builds relationships between researchers, managers, policy-makers and students, to exchange knowledge and collaborate to develop innovative ways to manage the triple bottom line – a process by which firms manage their financial, social, and environmental risks, obligations and opportunities. The
Centre on Sustainable Consumption and Production (CSCP) is another example of network building. The CSCP encourages and supports cross-pollination of innovation and provides the necessary coordination required by bringing together civil societies, governments, business and retailers to facilitate change. The CSCP helps to identify and encourage collaboration and strategic alliances to move stakeholders in the same direction and leverage faster change.

*Consumer awareness and trust of CR in the UK*

The 2015 Cone Communications/Ebiquity Global CSR Study (cited on Sustainable Brands, 2015), a survey which reflects the responses of 10,000 citizens in nine different countries (USA, Canada, UK, Brazil, Germany, France, China, India and Japan) found: nine-in-ten consumers expected companies to do more than make profit, but also act responsibly to address social and environmental issues; 84% of consumers said they would seek out responsible products and 81% cited that product availability was a barrier. What is interesting in the results of this global survey is that customers are emerging as more empowered than ever and this places pressure on organisations to do more to gain recognition for their operations. Indeed the survey cited: 64% of consumers will only pay attention to a company if their CR/RB efforts are going above what other organisations are doing and 52% will assume a company is not acting responsibly unless they hear/see information otherwise. This creates pressure on companies to demonstrate and draw attention to their operations.

In a further study, chartered accountants, Grant Thornton *Corporate social responsibility: beyond financials*, draw from 2,500 interviews with business leaders in 34 countries and similar trends emerged. Grant Thornton (2014) identified the three global key drivers for business to be more responsible as cost management, consumer demand and ‘right thing to do’. Table 2 (below) compares the global responses to the survey with those from the UK in terms of drivers for CR/RB.

**Table 2: Corporate social responsibility: beyond financial Key findings (Grant Thornton, 2014)**

<table>
<thead>
<tr>
<th>Key Drivers</th>
<th>Global %</th>
<th>UK %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Management</td>
<td>67</td>
<td>48</td>
</tr>
<tr>
<td>Customer demand</td>
<td>64</td>
<td>62</td>
</tr>
<tr>
<td>Right thing to do</td>
<td>62</td>
<td>40</td>
</tr>
<tr>
<td>Brand Building</td>
<td>59</td>
<td>44</td>
</tr>
<tr>
<td>Staff retention/recruitment</td>
<td>58</td>
<td>49</td>
</tr>
<tr>
<td>Tax Relief</td>
<td>42</td>
<td>-</td>
</tr>
</tbody>
</table>

Consumer demand ranks highly both globally and within the UK, but within the UK employer brand seems and brand itself seems equally as important as cost management. Seemingly the reputation of UK business is at the forefront of operations.

A further UK survey by YouGov and Global Poverty Project revealed that 74% of those surveyed would pay an extra 5% for their clothes if there was a guarantee that workers were paid and treated
fairly (Baker, 2015). It would appear in the UK that consumers are a key driver and this is something that business should take note of, in particular in a digital age are increasingly demanding authenticity and transparency in all aspects of business operation (Baker, 2015, Musafer, 2012).

Overall, UK consumer awareness is high, as is the power that consumer demand holds over business and as such a key driver of CR/RB in the UK.

*Certification and labelling schemes, awards, seals in the UK*

With demand from consumers for the recognition of CR and the potential for responsible operations to build a responsible brand, it would emerge that certification and formal recognition becomes increasingly more important for businesses to distinguish themselves. There are a variety of Awards and schemes within the UK, some of which will be briefly discussed.

Business in the Community provides one of the most prestigious and respected Awards championing responsible business in the UK and abroad. The Awards are assessed by an independent panel of business and other industry experts and identify and celebrate businesses of all sizes and in all sectors that are transforming their communities and in turn their businesses to create a fairer society and a more sustainable future (Bitc, 2015).

Examples of some of the winners from the 2014 Awards are highlighted below:

**2014 Winner: EDF Energy and Okehampton College, Devon**

EDF has a partnership with Okehampton College to encourage students to consider a career in Science, Technology, Engineering and Mathematics (STEM). The partnership seeks to ensure a future skilled workforce and raise awareness of energy saving.

Impacts of the Partnership:

- 56% increase in student interest in the subject
- £100,000 saving on energy bills at the College, reinvested in improvements
- 57% students informed their parents about energy saving ideas
- As well as Okehampton’s 1,500 pupils, the partnership has reached 600 pupils from local primary schools

*(adapted from BiTC, 2015)*

**Winner 2014: Lakes Free Range Egg Company Ltd**

The Lakes Free Range Egg Company leads the field on biodiversity and is the first carbon neutral egg packing factory.

Impacts:

- Reduced environmental impacts of operations: 0% waste landfill, 50% reduction in water consumption, 70% energy generated on site (100% in 2014)
- Set industry benchmark for sustainable free range production used as a global case study for environmental sustainability by McDonalds
• Regeneration of unprofitable and disadvantaged farms
• Enhanced animal welfare and egg production generating £2-3 more income per bird
(adapted from BiTC, 2015)

A further coveted Award is the National CSR Awards, founded by Business@Brooklands. These Awards are designed to celebrate business excellence and innovation within the area of CSR. The Awards, which ran for the first time in March 2015, encompass all areas of CSR including: Sustainability; Carbon Footprinting; Community Development; Staff Welfare and Education. In the first Award ceremony, special recognition was given to Marks and Spencer,

‘The award judges agreed that, since Plan A’s launch back in 2007, Marks and Spencer’s sustainability plan continues to set the benchmark for corporate responsibility in the UK. “Plan A goes beyond targets. M&S sees it as a starting point rather than the finish, using it to instil culture change and embedding it in everything it does.” commented Liz Jones, editor of Ethical Performance’ (nationalcsrawards.co.uk, 2015)

The Trading for Good trade mark (see below) is a further useful endorsement of any businesses responsible activities and is increasingly becoming a nationally recognised mark of a ‘good’ organisation.

Trading for good

A further charter mark which companies can obtain is awarded by Investing in Integrity (IiI). IiI is a not-for-profit company owned by the Institute of Business Ethics (IBE) and the Chartered Institute for Securities & Investment (CISI), two leading non-profit bodies that promote high standards of ethics and integrity in business and finance. IiI is a Charter Mark (see below) designed to enable an organisation to reassure its key stakeholders - employees, customers, suppliers, shareholders and the general public - that its organisation can demonstrate a commitment to act with integrity at all times. IiI is available to organisations of all types and sizes (Anon, 2015). IiI assessments are supported by Good Corporation, recognised worldwide as one of the leading organisations working in the field of corporate responsibility and business ethics.

ISO 26000 is the International Standards Organisation (ISO) corporate social responsibility standard and sets out principles rather than a certification standard. A number of companies choose to assess themselves against this guidance. Critics may argue that this accreditation is expensive and as it is not a certification, businesses are losing potential credibility rather than gaining.

Other similar business endorsements can be awarded by the British Standards Institute and include BS10500 Anti-Bribery Management CSR and also: Procurement fraud; Business Continuity; Data Protection & Freedom of Information; Environmental Management: Information Governance; Quality and Sampling; Risk Management; Sustainability and Supply Chain Solutions

In terms of the public sector, Birmingham City Council in response to the Public Services (Social Value) Act 2012, formed a social value policy which outlines how the
Council will discharge its responsibilities in this area. As part of this policy the Birmingham Business Charter for Social Responsibility emerged, with the aim to boost the local economy through support to the local supply chain, creation of job opportunities and ensuring employees are paid a fair wage (BCC, 2015).

According to the BCC website, The Birmingham Business Charter for Social Responsibility is a set of guiding principles to which Birmingham City Council (BCC) will adhere to and to which it invites its contracted suppliers, the wider business community, other public sector bodies (including schools) and third sector organisations (including grant recipients) to adopt. The guiding principles of the Charter includes: Local Employment; Buy Birmingham First; Partners in Communities; Good Employer; Green and Sustainable; Ethical Procurement. Businesses will sign up to the Charter’s Principles, describing how they will improve the social, economic and environmental well-being of the city and on implementation receive the charter mark, which brings about advantages in the tendering process.

**Measuring CR**

Measurement and return on investment has been at the core of much discourse surrounding CR/RB. Fuelled by the need for business case, businesses have often refuted calls for responsible behaviour, due to the lack of measurement of impacts and their sustainability. Whilst this is an area attracting research at present, there are emerging examples.

One such example is the Pathfinder Project, a Birmingham based collaborative project led by Social Business Hub+, a satellite of the Centre for Citizenship, Enterprise and Governance (CCEG) (a part of University of Northampton) and engaging local universities (Aston, Birmingham City, University College Birmingham and University of Birmingham) and industry advisors. The purpose of the project was to transform public procurement processes in light of recent legislative changes (most notably Social Value Act, referred to above) and explore possibilities of measuring social value for Birmingham City Council (BCC).

The resulting 2014 report *Social Value in Birmingham* posed a portal to support procurement decisions and using social (and environmental) value metrics, under the system the following was proposed:

- The council can set either general social value criteria or set specific criteria for particular tenders, with guidance on how to comply with EU procurement rules.
- By using criteria that specify the local social value added councils can legitimately give local firms a chance to do better than bigger (inter)national firms, and deliver UK £100+ m of social value annually.
- Bidders submit information on their ‘social value add’ to the portal. This information is independently verified and assessed against the council’s criteria.
- There is no cost to the council. It will be funded by a 2% levy on the winning contractor to cover cost of independent social impact analysis and monitoring contract compliance across the period against Social Value Act and under the Best Value obligation.
- 50% of levy money raised will go into a fund to support local social value projects for the council and provide training for bidders, including local social enterprises, to maximise their social value add - raising millions of pounds of funding on top of the social value benefits.
• The system funds capacity development across the public, private, third, and community sectors in CSR and in particular allows for the expansion of the Birmingham Social Charter to 75% of market.

• Stress testing the financials has led to the conclusion that the system has guaranteed sustainability and scalability to be adopted by other public sector organisations. (Pathfinder Project, 2014)

This project represents some of the emerging research taking place, to establish common language and a business approach to adopting CR/RB.

Education and training in the CSR field in the UK

Professional Development

There are many opportunities for professional development in the area of CR/RB; of note would be the professional qualifications offered by the Institute of Environmental Management & Assessment (IEMA). This is a professional body which brings over 15,000 environment and sustainability professionals from around the globe (IEMA, 2015). IEMA’s role is to support individuals and organisations to set, recognise and achieve global sustainability standards and practice. Members lead and deliver sustainability actions in their organisations at all levels, using IEMA standards as their foundation. IEMA offers various levels of professional membership which are gained through examination and business case application, levels reflect similar professional institutions (such as Chartered Management Institute and Institute of Leadership and Management). Levels include: Graduate, Affiliate, Associate, Chartered Environmentalist and Fellow. IEMA also validate qualifications delivered through other Higher Education Institutions, offering membership alongside masters or degree programme.

There are multiple forms of post compulsory qualification that can be gained in the area of CSR, mostly at Masters levels (L7). They are delivered through a multitude of different methods, including online learning (the Open University offer a level 7 module on Business, Human Rights Law and Corporate Social Responsibility) and taught programmes (examples include stand-alone MSc courses or CR/RB embedded as an option within MBA’s).

Other opportunities for professional development come in the form of short, skills related courses, designed for continuous professional development (CPD). Of note would be those offered by BiTC, who offer professional development in areas such as: Engaging employees with CR, Stakeholder investment, Introduction to CR and sustainability and Introduction to community investment. These courses tend to last a single day, but serve to develop the professional or beginner in key areas. Also available through BiTC is the CR Management Programme, which combines 6 of the short modules and recognises the individual’s commitment to CR and professional development through formal certification and also accreditation from the Institute of Leadership and Management (ILM). This is an ideal opportunity for businesses to offer staff who are interested in developing their CR knowledge to undertake CPD; organisations who have done that include Britvic, Catlin Underwriting Ambition and Phoenix Group.

Education Sector

In terms of the tertiary education sector, there are several key drivers in relation to embedding education for sustainable development (ESD) into the curricula. The Higher Education Authority
(HEA), Quality Assurance Agency (QAA) and also Higher Education Funding Council for England (HEFCE) all support the view that the HE sector is ideally positioned to make a critical contribution to sustainable development through its research and teaching (HEA, 2015). These key regulatory bodies embed the principles of the United Nations, who describes ESD as a means of "enabling students to develop the attributes, behaviours and skills needed to work and live in a way that safeguards ecological, social and economic wellbeing, both in the present and for future generations" (HEA, 2015). As such, embedding education for sustainability has become of great importance to HEI’s in the UK.

The HEA serves to support academics, senior management and students to meet the challenge of addressing ESD across HE. The HEA recognises that progress in ESD requires the re-orientation of entire educational systems, making large-scale shifts in curriculum priorities, policy and practice and acknowledges that whilst sustainability research has accelerated in recent years, existing academic processes and structures have made limited progress in curriculum development (HEA, 2015). As such there are a number of HEA driven initiatives which aim to support HEI’s in this period of transition. The Green Academy and Sustainability in Higher Education Developers (SHED) are two examples of networks of universities working together to explore opportunities for ESD and further research into the area of CR/RB.
Development and Challenges of Social Entrepreneurship in Bulgaria

Historical context: origins and evolution of social enterprise in Bulgaria

Bulgaria’s socialist legacy is all in all bad news for the prospects of social business. Non-government economic activities under socialism were organized only in the form of cooperatives rather than corporations. Cooperatives, one might argue, are closer to the idea of social business than profit-oriented corporations, and they are part of the wide social economy. One could then expect that the socialist legacy will in fact create an auspicious environment for social entrepreneurship. Indeed a number of former socialist cooperatives survived the transition to market economy. Many of them still continue to employ (as they did in socialism) people with disabilities. Others are working purely for the benefit of their members. However, many of the cooperatives survived the end of socialism but also inherited from socialism many of the inefficiencies inbuilt in this form of economic activities. This, together with the mainstream ideological turn away from anything related to the old regime, generally damaged the popular image of cooperatives as “communist”, outdated and ineffective.

Bulgaria’s postsocialist transformation into a market economy was also not a blessing for social business. Social business as currently understood in Europe is inherently related to the entanglement between the “third sector” of civil society and the sector of business. Civil society, however, was weak and undeveloped in Bulgaria prior to the regime change. The “third sector” which emerged in the postsocialist years (in Bulgaria and a number of other post-socialist states) was peculiar – it typically did not grow out of grassroots initiatives in a bottom-up fashion and on the basis of citizens’ engagement and community mobilization. The majority of non-governmental organizations were created by a certain type of elite, namely educated younger people who spoke foreign languages and managed to create links with foreign donors and institutions. They had a small efficient staff and unclear, generally disengaged constituency. They thrived on foreign funding and let foreign funding determine their agendas and priorities. Engaged in fierce competition for funding, they rarely cooperated among each other to achieve a stronger social impact in fields of common interest. As soon as funding in one field dried up, many NGOs would switch to another donor-set priority. Thus very few of the NGOs registered in the 1990s and 2000s would actually be active and even fewer would be genuinely engaged with social impact-driven activities and social constituencies. All in all, the “third sector” of postsocialism was itself a business sector, but not the type of business we can define as “social business”. It is only in the last decade that this situation is changing as donor funding for “soft” issues such as democracy and human rights is drying up in favour of ever more specific priorities and as the state and foreign donors are strengthening monitoring and impact assessment.

The postsocialist state in Bulgaria did not help the growth of social business either. The postsocialist state had a difficult job, a job that many observers doubted it could manage. For one, it had to perform the difficult task of turning a socialist economy into a market economy, but without the necessary cultural, political and economic preconditions and institutions present in Western Europe, and to do it in a time period much shorter than the time Western Europe had. For
another, it had to build a market while simultaneously building democracy – two tasks that frequently were incompatible or at least created demands and pressures that were difficult to reconcile. To make matters worse, the Bulgarian postsocialist state was a weak state, even weaker than the postsocialist states in Central Europe and the Baltics. By the second half of the 1990s, poorly managed, partial and protracted transformation led to an economic and democratic crisis and political upheaval in Bulgaria that solidified the power of reformist political coalitions. These coalitions advanced toward the neoliberal pattern of stability-oriented institutions and a radically slimmed down welfare state (see Greskovits and Bohle, 2012, chapter 5). Promotion of “responsible business” was not high on the agenda. The generally weak Bulgarian state simply lacked the administrative, bureaucratic and financial capacity to restructure the relationship between the struggling survival-oriented business and the weak civil society in a way that would foster economic and social innovation and the creation of shared value. In the minds of citizens and business, social issues were the task of the government, while the task of business was to “make business” understood as profit-making.

Since the mid-2000, the influence of the EU (accession process and membership) led to a transformation in the political and economic agendas. Barely having completed the difficult process of building a market economy, Bulgaria was now tasked with building a social economy, too. As a concept, social entrepreneurship was thus introduced in Bulgaria under the influence of EU policies. At that time, few understood what it was and even fewer had practiced it.

**The social enterprise sector in Bulgaria**

*National policies, regulations and ongoing initiatives for promoting sustainable social and environmental development at the local and regional levels*

It is only in the period after 2010 that there emerged an informed discourse and dialogue on the issue of social entrepreneurship. Currently, under the priorities of the EU structural funds, social entrepreneurship is being supported by Community-funded Operational Programmes which is why it has quickly become known among policymakers and the NGO sector. It is also supported by US donors. In the years since 2013 it is more common to encounter seminars, workshops and conferences on the topic. Most of them are still focused on awareness raising and the presentation of case studies but capacity building activities are getting on the agenda, too. Almost exclusively, these activities are organized and funded in the framework of donor-supported projects.

All in all, the awareness level of social entrepreneurship in society as a whole is very low and the social economy is not yet a “mainstream” concept. Media does report on some successful cases but in general, since these cases are few, so is the coverage. Awareness and coverage of the topic is also low in the field of education (see below). The situation is hardly surprising given that the concept is entirely imported from the EU and has been imported very recently. That said, social entrepreneurship should theoretically find an auspicious environment in Bulgaria (and probably will in the future). The country is going through a crisis of democracy; trust in government and public institutions is very low. The economic crisis has eroded whatever popular trust in the social role of business there might have been before (and there was little anyway). A society that has little trust in government and the big business is likely to embrace the idea of socially minded responsible entrepreneurs.
In terms of policy context, a number of national strategies and polices relate to the emergence and development of social enterprises inasmuch as they are linked to public funding priorities, enable public-private partnerships and synergies, and tend to put certain social issues on the agenda (see Bulgaria – Annex 1 for more details).

The National Social Economy Concept (2011) is the key strategic document that sets the policy framework with regard to social entrepreneurship and the social economy more broadly. It is complemented by Action Plans for 2014-2015 and 2016-2017. The framework aims at:

- Raising awareness and garnering public support for social enterprises: the Ministry of Labour and Social Policy has started to implement and is planning information and awareness raising campaigns and discussion forums at national level, as well as an annual visibility event with a European dimension – a European forum of social enterprises. The first steps are being made toward the introduction of a trademark “Social Enterprise Product”.

- Capacity-building within the public administration and development of legal regulations:
  - establishment of a permanent working group at the Ministry of Labour and Social Policy focused on promoting the social economy
  - development of and holding consultations on a future Law on the Social Economy
  - discussion on introducing changes in the Public Procurement Law in order to provide advantages – all other conditions being equal – for social enterprises when applying for public tenders.

- Improving understanding, knowledge, methodology, research on social entrepreneurship: concrete measures include much needed development of methods for measuring social impact, research on good European practices, research on the actual situation in the social economy in Bulgaria.

- Capacity-building among stakeholders in the field of social entrepreneurship and introduction of the issue of the social economy in education: concrete measures include the organization of Social Entrepreneurs’ Academy, development and implementation of educational and training programmes in the field of the social economy, including student companies.

The last two elements of the Social Economy policy framework remain superficially developed and the financial resources allocated for them appear sufficient to achieve tangible results in view of the enormity of the task and the rudimentary level of development of the social economy in Bulgaria.

All in all, the development of a strategic document specifically focused on the social economy is a great step forward. This document is indeed in line with recent EU priorities and policy directions. The trouble with the current framework is that it appears rather marginal in view of the key priorities set by the Bulgarian state in the National Reform Programme and rather isolated from other government policies. This is not to suggest that the Social Economy Concept should be given preference over the National Reform Programme; rather, the future of Bulgaria’s social economy should be conceived with attention to how the social economy can support (and relates to) the country’s general active labour market policies, sustainable development policies, and the other priorities set in the National Reform Programme. Such an approach will integrate the social
economy policy framework more closely with other sectoral policies in the overarching policy on social and economic development, which in Bulgaria is tilted toward free market and minimal welfare state. To put it bluntly, the challenge for Bulgaria will be to let the social economy policy framework develop in an organic way as part of the country’s policy on economic and social development rather than to provide isolated ad hoc support for social economy actors by emulating the measures outlined in EU reports.

Another drawback of the current framework is the conflation between social enterprises and the social economy. While the distinction is not made particularly clear, it appears that the social economy referred to in the National Social Economy Concept is a broader term that includes also providers of social services that are directly related to municipalities and all cooperatives, including those that work solely for the benefit of their members rather than society as a whole. Any meaningful policy framework needs to differentiate between various types of social economy actors: social enterprises, cooperatives (especially those that are not related to people with disabilities) and social service providers related to Municipalities. While it is acceptable to say that the social economy is diverse and includes various forms of organizations, their diversity requires special consideration as these different actors most likely need different policy approaches and measures.

**Legal framework for social entrepreneurship in Bulgaria**

In Bulgaria there is as yet no separate legal act dedicated to regulating social enterprises. The Ministry of Labour and Social Policy has announced that it is working on such a law. There is also no clear legal definition of what social enterprise is and what form it should take. In reality social enterprises can take several forms:

- Non-for-profit organizations working for the public benefit: this is one of the most suitable legal forms of organizing a social enterprise inasmuch as the law requires a social purpose of the organization’s activity, allows for economic activity which is geared towards achieving the self-declared social purpose, prevents profit from being shared among founders and members of the organization\(^2\). Non-profit legal entities working for the public benefit have a special registration regime;

- For-profit (commercial) companies: this legal form best suits the definition of social enterprise in terms of its commitment to use market principles and entrepreneurial business approach yet it demands from the company to self-impose on itself a social purpose and the decision to reinvest the profit into social-impact driven activities rather than share it among owners or shareholders;

- Specialized enterprises or cooperatives for people with disabilities: this form is essentially a for-profit company that employs a legally specified percentage of people with disabilities. Whereas until 2010 in Bulgaria the legal requirement for registering a special enterprise for people with disabilities was that 50% of the staff had to be people with disabilities, now this percentage is only 30% (20% for blind people). Specialized enterprises or cooperatives for people with disabilities are registered at the Agency for People with Disabilities;

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\(^2\) Certainly, not all non-for profit organizations working for the public benefit are social enterprises; most of them are dedicated to charity/advocacy than market-based solutions.
Social enterprises set up by municipalities for the provision of social services are frequently considered to be social enterprises, too. While they are part of the wider social economy, their real function as social enterprises (in accordance with the EU definition) depends on the extent to which they are dependent on the budget of the Municipality.

The operation of cooperatives is regulated mainly in the Cooperative Law. Other laws and regulations affect specific aspects of cooperatives’ activities. Under Art. 53 of the law, a cooperative must be registered as private limited liability company or a company with a single equity proprietor (EAD).

Support for social enterprise in Bulgaria

Social enterprises can use tax benefits depending on their form and activity:

- Tax benefits on donations in favour of vulnerable groups (people with disabilities, children without parents, persons with addiction problems, people at risk of poverty, etc.);
- Tax benefits for employing long-term unemployed persons or people with disabilities;
- Non-profit organizations working for the public benefit are exempt from local taxes on donations and in certain cases can be exempt from VAT tax;
- Specialized enterprises for people with disabilities can be exempt from paying corporate tax if it is used for the integration or employment of persons with disabilities;
- Donors of non-profit organizations working for the public benefit and of specialized enterprises for people with disabilities can use tax benefits, too.

Bulgaria is planning to introduce the brand “Social Enterprise Product”. The purpose of the brand is to garner public support for the causes pursued by social enterprises. The idea has been floated in 2011 but is yet to be realized.

Procurement rules

Bulgaria’s Public Procurement Law was amended at the end of 2014 in order to give advantage to cooperatives and specialized enterprises for people with disabilities. This amendment was introduced after several years of intense lobbying on the part of the unions of the people with disabilities and the Agency for People with Disabilities. It was touted as aligning Bulgarian public procurement rules with European public procurement rules.

The amendment obliges all contracting entities to reserve certain public tenders for contractors that are cooperatives or specialized enterprises for people with disabilities (or consortiums of such members). Even before the amendment there was the possibility to reserve tenders for cooperatives or specialized enterprises for people with disabilities, but there was the requirement that such bidders had declared their capacity to implement public contracts in advance. Contracting entities could then use this information and decide whether or not to reserve the tender. In addition, the applying cooperatives or specialized enterprises for people with disabilities had to prove that they would be able to implement at least 80% of the contract on their own. Until the amendments therefore, the number of reserved tenders was very small.

The amendment widened the list of services and goods for which public contracts had to be reserved for cooperatives and specialized enterprises for people with disabilities; the list now
included some 400 items, i.e. a very large part of the services and goods that are being procured. In addition, the requirements for contractors (financial capacity, number of successfully implemented contracts, etc.) did not apply to the cooperatives and specialized enterprises for people with disabilities and their capacity was not subject to proof or examination. The register of specialized enterprises contains no information on capacity but the new law did not allow contracting entities to demand such information.

The 2014 amendment created a paradox. The positive result was that now cooperatives and specialized enterprises for people with disabilities really had an advantage when in the procurement process. Yet the change also led to a series of unintended consequences:

- After the amendment, the number of registered specialized enterprises for people with disabilities increased dramatically. For 10 years starting from 2005 until the amendment was made, only 123 such enterprises were registered. During the first 3 months in the beginning of 2015, however, the same number of new specialized enterprises was registered. In almost every sector the newcomers were mostly well established competitive firms that acquired the “preferential” status and could now compete with the old specialized enterprises. In this way, companies with real social purpose again found it difficult to win procurement tenders. The changes inspired other types of unethical practices in public procurement. Specialized enterprises for people with disabilities started to be used as “intermediaries” by other companies not working for the benefit of people with disabilities in order for the tender to be won easily. When the tender was won, actual work was carried out by the latter company.

- The requirement for 30% staff with disabilities was relatively easy to implement especially if companies had less than 10 employees altogether. Media reported cases of firms asking the Employment Agency to send them 3 persons with disabilities to employ only in order to get registered. In addition, the “staff” category includes people with part-time contracts, apprentices and interns, people working from their homes and other less advantageous forms of employment. Last but not least, the Agency for people with disabilities currently cannot cope with tasks related to monitoring, including to make sure that the persons with disabilities who were hired have not subsequently been fired.

- The amendments only targets people with disabilities, while enterprises working with other types of vulnerable groups on the labour market or working for other social purposes do not receive preferential treatment. In addition, the preferential treatment is entirely based on medical records proving disability, and not on any assessment of real social impact of the enterprise and the real degree of social exclusion of the persons with disabilities.

- Public opinion turned negative and this actually worked against the objective of promoting the rights of people with disabilities.

After emergency amendments to the law in October 2015, some unethical practices were discontinued by including the condition that 80% of the contract volume had to be carried out by the winning cooperative or specialized enterprise for people with disabilities or by another cooperative/specialized enterprise for people with disabilities (this was a return to the pre-amendment regime). Contracting entities were also given back the right to require the bidding cooperative or specialized enterprise for people with disabilities to prove its capacity to carry out the procurement in the required volume and quality. The latter change limited the possibility to damage the efficiency of public procurement by providing advantages for companies whose capacity to efficiently implement the contracts could not be checked. A further amendment of the
Public Procurement Law in 2016 introduced additional measures to maximize the social impact of reserved procurement procedures (in line with 2014 EU Directives) and to prevent unethical practices. It allowed procurement procedures to be reserved for both a) cooperatives or specialized enterprises for people with disabilities and b) economic entities whose main purpose is the social or professional integration of other disadvantaged persons. To prevent unethical practices and abuse of special status the law further stipulates that cooperatives or specialized enterprises for people with disabilities can bid for reserved procurement procedures only if they were registered more than 3 years prior to the announcement of the procurement procedure.

The “3-year existence” requirement, however, appears to be only a temporary solution and cannot substitute for a stricter monitoring regime aimed at evaluating the genuine social impact of specialized enterprises. As for enterprises employing disadvantaged people, the law fails to provide any such precaution; it even does not stipulate how such entities will be identified. It does not set requirements other than the requirement that 30% of the staff of the economic entity should be disadvantaged people. There is no clarity whether and how the length and sustainability of such job positions will be monitored and how contractors can ensure that the enterprise genuinely has as its main purpose the integration of disadvantaged people (i.e. that disadvantaged persons were not hired temporarily only in order to win a contract).

The case of public procurement support for the social economy in Bulgaria indicates that the introduction of such preferential treatment can achieve meaningful social impact only if the conditions for preferential treatment are regulated in detail and sufficient number of checks and monitoring are put in place to separate genuine from fake social enterprises and to prevent unethical practices. The Bulgaria case should be regarded as a cautionary tale in the context of the EU-wide transposition of Directive 2014/24/EU on public procurement.

**Key actors, networks and stakeholders**

At government level, social entrepreneurship is the responsibility of the Ministry of Labour and Social Policy. The Ministry maintains a website focused on the social economy - [http://seconomy.mlsp.government.bg/](http://seconomy.mlsp.government.bg/). Other networks and relevant organizations that provide information and news on social entrepreneurship on their websites and can be consulted for more information are:

- Social Entrepreneurship in Bulgaria Forum - [http://socialenterprise.bg/en/](http://socialenterprise.bg/en/). This is an informal network of organizations and individuals working in the field of social entrepreneurship. It is created in the framework of a project funded by Operational Programme Human Resources Development. The leading organization is Bulgarian Charities Aid Foundation which is also actively involved with Corporate Social Responsibility in Bulgaria.

For 5 consecutive years, Bulgaria hosts an annual European fair of social enterprises and cooperatives. It is part of the International Plovdiv Fair and is co-organized by the European Commission, the Bulgarian Ministry of Labour and Social Policy, the Bulgarian Agency for People with Disabilities and the National Union of Workers’ and Producers’ Cooperatives. The 2016 edition attracted over 100 social enterprises and cooperatives.

*Existing research on social entrepreneurship, including availability and reliability of statistics*

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3 *This site is* maintained by Foundation Pia Mater, which itself is engaged in social entrepreneurial activities.
Research on social entrepreneurship in Bulgaria is in its infancy, as are the concept and practice itself. It is fair to say that there is even still lack of clarity in definition, not least due to the tendency to conflate social service provision with social entrepreneurship.

The situation with statistics on the scope of social entrepreneurship in Bulgaria is puzzling at best, again as a result of the lack of clear definition and criteria on what is a social economy actor and what is a social enterprise. In relation to the implementation of National Social Economy Concept, a large-scale project for the development of a national database was implemented by the National Statistical Institute. The results from this project are now largely considered official. According to them, there are 3,612 social enterprises in Bulgaria. Of those 2,046 are profit-making companies or cooperatives and 1,566 are non-for-profit organizations working for the public benefit. It is our position that the reliability of this data needs to be further improved for the following reasons:

- The statistical results are based on a methodology that relies on the social enterprises to self-declare themselves as such. Such data is not a sound basis of well-informed policymaking. It should be noted that the methodology has already demonstrated its own limitations – while in 2012, 4,872 enterprises self-declared themselves as social enterprises, in 2013, only 3,612 did so. It is beyond doubt that the large variation in the span of a single year was unlikely to be the result of objective changes in the number of enterprises; it is more likely to be the result of method failure. Indeed, data for 2012 was based solely on self-declaration by economic agents, while research in 2013 included instructions and guiding criteria to help enterprises self-define themselves as social enterprises. Still, as a statistical method, self-declaration, even if based on guiding criteria, ranks poorly in terms of reliability. Data for the period post 2013 is unavailable which makes it difficult to observe further vacillations.

- The statistical data includes as social enterprises agricultural, consumer, workers’ and producers’ cooperatives; i.e. entities working for the benefit of their members rather than having a broader social purpose. It is beyond doubt that all cooperatives can be considered part of the social economy; yet, most of them cannot qualify as social entrepreneurship under the EU definition4. The statistical data thus does not provide for more detailed monitoring of the social economy landscape.

- Many of the self-defined social enterprises are non-governmental organizations whose social entrepreneurial endeavour was commenced and carried out in the framework of donor-funded projects. The sustainability of these organizations as social enterprises beyond the concrete project is far from guaranteed. In fact, most of them cease to exist after external financing dries up or would struggle with serious difficulties to continue their operation as a social enterprise (Mihailov, 2014). Based on our research and interviews, we reached the conclusion that in Bulgaria as of 2015/2016 active and successful social entrepreneurs (excluding cooperatives for people with disabilities and social service providers) that have proved financially sustainable and do comply with the EU definition of a social entrepreneur are less than 10. A large number of NGOs providing social services have proved institutionally sustainable yet not financially sustainable.

- The statistical data on social enterprises includes enterprises that provide social services. Social services in Bulgaria are provided by Municipalities. Municipalities on their part can create

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4 Agricultural and consumer cooperatives work for the benefit of their members and not for the social benefit defined as “the public good”. Workers’ and producers’ cooperatives may be more “social” and equitable in terms of impact than pure profit-oriented companies, but they also can be called social enterprises only if the definition is generously stretched. Arguably, only cooperatives of people with disabilities fit the definition.
their own social enterprises or contract out these services to other non-public social service providers, which is happening for about 20% of the social services only. Municipal social enterprises can be partially or fully dependent on the budget of the Municipality. Some of them work as competitive enterprises but if they have financial difficulties they still receive support from the Municipality. While they are part of the social economy, social enterprises of, or created by, Municipalities, in most cases cannot comply with the EU definition of social entrepreneurship inasmuch as their financing is linked to the municipal budgets. Non-municipal social service providers target those users that can allow to pay the full price of their services, and those people are very few; unsurprisingly, non-municipal social service providers are few, too.

- Specialized enterprises for people with disabilities: the official statistical data from 2013 does not present serious problems in reporting the number of such enterprises. However, any data collected for the period after January 2015 should take into account the possibility that a large percentage of newly registered enterprises are registered as such only in order to be able to take advantage of the preferential treatment made possible under the amended public procurement rules; the vast majority of them would not be genuinely dedicated to the integration of people with disabilities.

Additional questions are raised about the social impact of specialized enterprises for people with disabilities. It should be noted that there are large cooperatives employing people with disabilities that have achieved sound business performance. For example, “Chernomorka” in the city of Bourgas employs people with disabilities in a sewing workshop. The enterprise produces its own trademark of baby and children’s clothes, has experience and a strong market position. Although it uses project-based financing to expand its activities, it is able to ensure sustainability due to its steady sales. However, a number of other cooperatives fair far worse in terms of economic viability and further research is needed in each specific case to determine to what extent they benefit and reinvest into the people with disabilities that they employ. All in all, large cooperatives for people with disabilities and specialized enterprises with over 10 persons staff with at least 50% share of persons with disabilities among employees raise few doubts about their social role due to the sheer number of persons with disabilities that they employ. The same is not necessarily true of specialized enterprises for people with disabilities with a small number of staff where the percentage of people with disabilities employed is only 30%.

In terms of the contribution of the social economy to employment, data for 2010 by CIRIEC suggests that 41,300 people are employed in cooperatives and 80,000 in associations. All in all, the social economy as a whole was responsible for less than 4% of total employment (CIRIEC, 2012, pp. 32-33).

Financial solutions for social enterprises in Bulgaria

The market for social investment in Bulgaria is virtually non-existent. As yet there are no financial instruments dedicated to supporting social enterprises – all of the support is provided through public support schemes. The first public financial support for social enterprises dates back to 2009 when the Social Support Agency launched the grant scheme “Social Entrepreneurship – Promotion 5

Crowdfunding for social projects has been slow to even emerge as an idea. Currently, there is only one operational crowdfunding site where social projects could bid for funding - http://tramplin.bg. The site operates on a small scale and the collected resources are minimal.
and Support for Social Enterprises (Pilot Phase). In 2011 a new grant scheme was launched under the name “New Opportunities” but it was targeted at Municipalities in view of supporting efforts to create employment for people from vulnerable social groups. Both grant schemes were launched under the Operational Programme Human Resources Development during the 2007-2014 programming period. They have supported a total of 77 new social economy enterprises and 87 existing enterprises.

In the 2014-2020 programming period, two Operational Programmes will support for the social economy. OP Human Resources Development will provide financial support for the start-up phase of social enterprises. Around 55 million lv (27.5 million euro) are allocated for this future scheme whose rationale is that additional investment will follow public support. OP Innovations and Competitiveness includes two investment priorities explicitly targeted at social entrepreneurs: access to entrepreneurship funding and improving SMEs’ capacity for growth.

Public financing for social entrepreneurship is always project-based, which creates problems in terms of sustainability. It also exposes social entrepreneurs to the requirement to spend time and effort on reporting and other bureaucratic procedures related to the use of public financing. Public funding for non-profit entities from the state budget is only less than 3 million euro. It should be noted that this sum is distributed to a pre-selected list of entities without clear selection procedures. Each year between 35% and 60% of it is received by the Bulgarian Red Cross Organization. Such financing is not likely to benefit social entrepreneurs unless there is a radical change in government policy in this sphere.

Aside from public support schemes, social entrepreneurs can choose between the following financial solutions:

- Bank credits, usually on non-preferential terms;
- Risk financing by means of equity loans can be used by social enterprises registered as for-profit companies (SMEs). The EU stimulates the provision of loans and venture capital through financial instruments channelled through financial intermediaries such as banks and venture capital organizations. Until 2015, such financing was enabled in the framework of the JEREMIE initiative (see Bulgaria – Annex 2 for details). Currently, a second generation of the European Structural and Financial Instruments is implemented. An EU Access to Finance portal at www.access2finance.eu has been developed to help SMEs look for funding (see General Annex 3 for more details).
- Donor financing: it would typically be part of a donor support scheme that is a combination of technical support, awareness raising and financial assistance. The financial assistance would rarely be a great sum:
  - The first donor support for social enterprises dates back to 2002 and was provided by USAID. It took the form of training and technical and financial assistance for starting social enterprises:
  - Social Entrepreneurship Programme of the Bulgarian Centre for Non-Profit Law: the competition was launched in 2011 and has been supported by Foundation America for Bulgaria and private donors (notably Unicredit Bank). Support in the form of training and financial assistance is provided to strictly non-commercial organizations that want to develop a business idea. Financial awards (the financial support element) are received only by the winners in the competition and amount to around 15,000 euro in total.
Rinker’s Challenge by Rinker Center for Entrepreneurship and Training at Bulgarian Charities Aid Foundation (BCAF) with the donor support of Charities Aid Foundation of America: The Center was created in 2014. Rinker’s Challenge individual financial awards are up to 10,000 euro and are won on the basis of business plan competition open to traditional and social entrepreneurs. Rinker’s Challenge is now in its third edition.

- Grant Support Scheme of the Social Initiative Trust, which distributes donor support provided by Foundation America for Bulgaria. It is open to social enterprises and is primarily targeted at social entrepreneurial solutions benefitting the Roma community.
- Grants by Open Society Foundation – Bulgaria are open to social enterprises working to promote social inclusion of disadvantaged social groups, including Roma.
- Foundation Reach for Change competition and award “The Change” is open to social entrepreneurs (individuals or non-profit organizations) with innovative ideas for improving the life of children. The competition is carried out annually since 2014. First award is 15,000 euro, while second and third awards are 7,500 euro each.

There are no support programmes and financial instruments intended specifically for the post start-up and scaling-up phases of social enterprises.

**Measurement of social impact**

The Action Plan accompanying the National Social Economy Concept foresees the development of a methodology for assessing the social impact of social enterprises and a mechanism for monitoring. The lack of such methodology is a major gap at this moment and it makes it difficult to devise adequate support schemes.

**Opportunities and barriers for social enterprise in Bulgaria**

- Project-based financing appears to be the most widely used option in the start-up phase, mostly as a result of the lack of specialized financial support schemes, the difficulties in receiving loans and the impossibility of receiving loans under preferential conditions. Project-based financing is efficient in kick-starting an enterprise even when there is lack of initial capital. Yet it brings about a number of negative consequences. Entrepreneurs who opt for project-based financing are often driven by the intended social impact but can afford to overlook its economic viability and sustainability, simply because project financing tends to cover almost all operational expenses. In the post-project phase, however, such ventures prove economically unsustainable and most of them cease to exist or are forced to look for additional project-based (donor supported) financing. This approach is more reminiscent of non-profit work than of genuine social entrepreneurship;

- There is lack of suitably skilled employees and lack of managerial and business experience among the managers of the social ventures, especially in the cases when social entrepreneurial ventures are launched by persons engaged in non-profit work. Such ventures are well conceived in terms of social impact but falter in creating and sustaining a business model;

- The severe economic crisis tends to squeeze out many businesses and creates a harsh business environment; non-profit-oriented social enterprises find it even more difficult to survive
in such an environment. Scaling is next to impossible. Donations from business for social causes also tend to diminish in times of economic downturn, which further limits funding options;

- Public support for social enterprises is as yet not sufficiently coherent and robust;

- Poor public awareness and no active support for social causes in Bulgarian society is coupled with a general lack of ‘responsible’ consumers willing and/or able to pay higher prices for local products offered by social enterprises. Indeed, these products are often hand-made and are therefore more expensive than mass produced imported goods. This limits the market niches where social entrepreneurial ventures could flourish;

- During our research social enterprises reported facing challenges with the work ethics and capabilities of the employed persons from disadvantaged groups (be it people with disabilities or minorities). Such challenges lead to lower levels of productivity. Without public support or a strong core of responsible customers they find it difficult to survive financially (see also Recommendations on promoting social entrepreneurship, Bulgaria – Annex 5).

Promotion of social entrepreneurship in education in Bulgaria

Two Bulgarian universities – New Bulgarian University (a private university in Sofia) and the public Veliko Tarnovo University offer Master programmes in social entrepreneurship. The topics and issues covered are relevant although quality training materials in the Bulgarian language are difficult to find. The Master’s programme in Veliko Tarnovo University is aimed at persons graduating from a Bachelor or higher degree in the field of social work rather than business or economics and appears to be geared towards developing skills in the sphere of social service provision or corporate social responsibility in companies rather than skills for starting and managing genuine entrepreneurial ventures. The New Bulgarian University programme is more flexible in this respect but – being offered in the Philosophy and Sociology Department of the university – is also likely to be devised to build capacities and skills primarily for social work, non-profit work and social service provision than for entrepreneurial ventures. The private American University in Bulgaria offers a course in social entrepreneurship as part of its Executive MBA programme but it is taught in English. Apparently, there is no perceived need for offering specialized Bachelor degrees on the topic. This position is justifiable.

Yet our overall assessment is that social entrepreneurship is not well covered in mainstream business and economics education. Ad hoc conferences and master classes are used to raise awareness of social entrepreneurship among students. But special attention still needs to be paid to covering the issue of social entrepreneurship in traditional economics, business and entrepreneurship Bachelor and Master programmes. Devising specialized Master programmes is definitely important but the students involved in them will be relatively few and, generally speaking, such programmes will in a way “preach to the converted”, i.e. students applying for them will be those who are already aware of social entrepreneurship and have chosen to work in the field. A true growth of social entrepreneurial ventures in Bulgaria can be expected only if students studying traditional economic and entrepreneurship programmes are sensitized to the social role of business and the possibilities for achieving social innovation and impact through business ventures, and if they are given the opportunity to obtain the necessary interdisciplinary knowledge and skills to work in the sphere of the social economy. This will be most easily achieved with
including specialized courses on social entrepreneurship, social innovations and sustainable development in the regular business and entrepreneurship programmes.

Vocational education and training in Bulgaria allows for training in the professional area “Social Work”. “Entrepreneurship” is included as a training field in several professional areas. While the introduction of a professional area “Social Entrepreneurship” is not necessary, all professional areas currently including courses on entrepreneurship would benefit from including training on social entrepreneurship and sustainable development, too. In vocational education and training, the availability of quality training materials in Bulgarian is even more indispensable due to the fact that VET trainees are less likely than higher education students to be able and willing to read in English.

**Involvement of Business in Corporate Social Responsibility in Bulgaria**

**Historical context: origins and evolution of corporate social responsibility in Bulgaria**

Bulgaria has virtually no history with CSR. It was introduced very quickly as an external model for business management in the process of creating a market economy. The stakeholders that typically make up the external environment of business and are active determinants of CSR in developed market economies – civil society and advocacy groups, business associations and sectoral organizations, responsible and informed consumers – are also largely new for Bulgaria. During the period of transition to market economy they emerged on the democracy scene at the same time as business was developing in the economic sphere. The public administration was struggling to create capacity to manage basic democracy and market building processes and was not actively involved with the social impact of business.

In Bulgaria the sources of introduction of CSR as an element of strategic business management were three: a) international organizations (including the EU, already in the pre-accession process); b) international companies entering the Bulgarian market - they ushered in a process of gradual sophistication and professionalization of company management, human resources management and strategies for corporate culture and image, which include CSR; c) increasingly more sophisticated and Europeanized education and training of business leaders. CSR was thus quickly adopted by a number of mostly larger companies.

Yet the transition to market economy in Bulgaria left a mark on the relationship between the state and business. Since the severe economic crisis in 1997, in Bulgaria it is international organizations that have served as anchors of reform and led the way in institution building. Notably, the introduction of the currency board tied the hands of the government in terms of monetary and fiscal policy and virtually institutionalized austerity. EU accession conditionality, too, imposed limits on government spending. The Bulgarian governments had to choose policies that allowed them to increase administrative efficiency and manage the EU accession process without building costly and large administrations (Greskovits and Bohle, 2012, pp. 219-221). Such policies included a minimalist welfare state and minimal government intervention in the economy. Bulgaria embraced the neoliberal model of economic and political organization. Aside from its policy implications, the neoliberal model is also a governance model in which economic agents are treated as autonomous and are encouraged to follow the principles of self-governance, self-reliance, and – importantly – responsibility. The latter is not rooted in regulation, authority and state intervention.
It is expected that corporations, as well as citizens, will abide by certain values without external coercion.

The neoliberal approach adopted by the Bulgarian state is reflected in its treatment of CSR. The state does not force companies to be socially responsible. Its involvement is indirect and resembles arm’s-length governance. In such a setting, non-governmental organisations and civic groups are expected to exert pressure on business to assume its share of social responsibility and to be key factors for the growth of CSR.

From this point of view, Bulgaria is actually both an auspicious and an adverse environment for CSR. On the one hand, in conditions of minimalist welfare state, the legitimacy of business is even more strongly dependent on its social responsibility than it is in strong welfare states. On the other hand, corporations are free to “be responsible” and are not pushed into “responsibility” but their actual ability to spend financial and human resources on social causes is adversely affected by economic downturns. This largely explains why CSR as an ideology took roots in Bulgaria so quickly yet the quality and depth of CSR practice is still unsatisfactory. Faced with adverse economic and market conditions and not streamlined into “responsibility”, business is struggling to earn legitimacy but is still groping its way towards a genuine engagement with social and environmental issues.

**Prevailing definition and practice of CSR in Bulgaria**

Despite the recent introduction of the concept in Bulgaria, the level of awareness of CSR among business is relatively high. Even though few of the numerous small and medium sized enterprises actually spend resources on some form of CSR, almost every company is aware of the term. CSR has started to be accepted as part of the public image of companies and as indispensable for building trust and creating transparency in their dealings with the external environment. The understanding of CSR is strictly one of voluntary activity of companies.

That said, different companies understand CSR differently. Corporate sponsorship/donation is frequently equated with CSR. Long-term engagement in the community or attempts to devise strategies of creating shared value for society and business are termed CSR, too. Attempts to separate these two different approaches in Bulgaria will be futile because many companies engage in both activities without differentiating between them. The few companies that do separate the two categories stand out as rare exceptions.

It should be noted that the ideal scenario of a company devising a CSR strategy that is entirely focused on the creation of shared value is hard to find in the real world, not just in Bulgaria but at the global level. Most companies pursue CSR strategies that are a mix of sponsorship and shared value, and many companies find it impossible or unwise to try to integrate CSR directly into their business activities, preferring instead to align it to the company’s core values (Rangan, Chase & Karim, 2015). In this sense, Bulgarian companies are not particularly different from the rest of the business world. Long-term commitment to CSR activities (rather than shared value creation per se) maybe a superior criterion for the development of a company’s CSR.

Another difference is in the prevailing practice of CSR. Some companies – mostly smaller firms and firms in smaller cities – tend to understand CSR primarily as acting ethically or as efforts to improve the wellbeing of their own staff and their immediate families. Other companies
understand corporate social responsibility as philanthropy: short-term ad hoc efforts at improving their external environment by spending resources on issues that public budgets are unable or insufficient to solve – e.g. support for children or elderly people in institutions, support for people with disabilities or illnesses, support for maintaining parks, improving school or sport premises, etc. Only a small percentage of the companies – usually branches of multinational or foreign companies and large Bulgarian firms - understand CSR as strategic social-impact driven activity that requires longer-term planning and should be integrated into the strategic management plans of the company – examples include engagement with a social cause related to the products and services of the company (rather than sponsoring or donating for ad hoc causes unrelated to the company itself) and long-term investment into education and training. Bulgarian branches of multinational/foreign companies tend to implement at least to some degree the CSR strategy of the multinational/foreign company, which as a rule tends to be longer-term and more strategically oriented.

We believe these three different conceptions should be regarded as three consecutive stages of CSR practice, indicating a movement toward more depth and quality of social responsibility. All in all, in Bulgaria we witness two different approaches to CSR – in (the more advanced) one CSR is implemented strategically and in line with the vision about the future development of the firm. In the other – less advanced approach - is it implemented on ad hoc basis in reaction to perceived short-term needs and it frequently amounts to a mix of sponsorship/donations and CSR initiatives. As a general rule, the lack of understanding of the impact that CSR could have on both society and the company itself is the main reason why many firms do not engage in CSR at all. Again as a general rule, the level of understanding is higher in larger and medium companies and lower in smaller firms.

In sum, CSR in Bulgaria is still a mix of short-term ad hoc activities in the form of sponsorship, donations and social support campaigns and longer-term strategically planned engagements with selected social causes or social issues related to the company’s core business or products. Frequently, a similar mix is found within the CSR portfolio of one and the same firm. Yet larger and/or foreign firms are more likely to perceive CSR as part of a longer-term corporate strategy.

There is lack of interest among corporations to discuss and present their corporate CSR activities. The websites of many companies do include CSR sections (though not all of them are regularly updated). Yet it appears that there were few employees in the numerous companies we contacted that would readily present the firm’s social-impact activities, even in companies that do have such activity. This indicates either a possible lack of clarity regarding the place of CSR in the company strategy and management plans, or the sheer lack of staff tasked with this element of business, or underdeveloped business strategies for communicating CSR (or a combination of these factors). As a rule, CSR issues are dealt with in marketing departments.

*Involvement of business in solving social issues and challenges*

Typical for Bulgarian firms are the following forms of corporate social responsibility:

- Corporate sponsorship and donations, i.e. corporate philanthropy, ranging from providing financial support for individuals or externally organized events to organizing company events aimed at the broader public and often giving out awards (sport games, musical competitions, etc.). There is a tendency (especially among larger companies) to employ more strategic approaches to corporate philanthropy, i.e. company events and awards are preferred over donations of money or ad hoc sponsorship of external events;
- Providing social support for vulnerable groups or achieving social impact by donating products of the company;
- Protection of the environment (waste management, energy efficiency, contribution to and participation in environmental activities within the community);
- Development of training programmes and provision of internships and stipends of students who could then work for the company;
- Voluntary work of employees in favour of selected social causes;
- Engagement with social causes or organization of social marketing campaigns. Social marketing campaigns are typically related to the core business or products of the company and address social problems, negative tendencies or challenges. The level of involvement of business in the local community in Bulgaria should be regarded as relatively low by European standards. The reason is that tangible social impact is achieved almost exclusively by large companies and the national branches of multinational companies. However, they are mostly concentrated in the capital city and target social causes concerning society as a whole. Inasmuch as smaller businesses are less likely to spend resources on CSR, impact on local communities is curtailed. At the same time, the general lack of visibility and attention to CSR in Bulgaria also diminishes the motivation of large companies to make greater efforts in responsibility. In combination, these factors bring the overall social impact and role of business in Bulgaria to a medium to low level.

Involvement of stakeholders in the social-impact activities of business

The state has done little to institutionalize cooperation and collaboration procedures involving different stakeholders. This job is mostly done on ad hoc basis by non-governmental organizations. Companies’ CSR, however, in practice is sometimes being implemented with the support of key stakeholders, mostly on the basis of concrete partnerships between various agents. Available research indicates that is done in about 25% of the cases, while in 75% of the cases companies prefer to go it alone (Slavova 2015, 121). Typically, collaborative CSR is implemented in cooperation with public institutions and authorities whose reputation and ability to achieve genuine social impact is usually beyond dispute. For business, cooperation with public institutions or authorities is a sure way to build positive image of the company within the community. Collaborative CSR can also take the form of joint activities involving two or several companies. CSR initiatives are also increasingly implemented by companies in short-term or long-term cooperation with NGOs. This is partly the result of the increased experience and capacity of the non-governmental sector to manage and control social-impact projects and the emergence of reputable non-governmental actors in Bulgaria, whose ability to perform the tasks is credible, which have well qualified staff able to maintain NGO-business collaborations and which assist business in monitoring and controlling the impact of corporate social responsibility investments.

The Bulgarian case supports the argument that companies collaborating with non-governmental organizations tend to show more long-term commitment to CSR and are more likely to devise proactive and innovative strategies for achieving social impact and inducing social change (as opposed to reactively redressing popularly perceived deficits). It is difficult to determine, however, whether partnership is sought as a result of the company’s long-term approach or whether the relationship is the other way around – partnerships with NGOs help business to define and elaborate a longer-term responsibility activity. Then former is the more likely scenario. It appears that NGO
collaborations are practiced in cases when the company supports causes in issue areas in which it has no expertise and needs non-governmental actors and foundations with the necessary knowledge to direct and implement the initiative. Yet collaborative CSR involving business and non-governmental organizations on the whole remains rare in Bulgaria and the practice is confined to the larger companies and the branches of multinational companies. Companies such as IKEA for example, provide examples of this strategy.

Reporting, communicating and measuring CSR

CSR reporting is underdeveloped in Bulgaria; companies that do provide standardized reports and attempt to measure the impact of their CSR are rare. Typically, information on CSR can be only found on websites and it does not include measurement or assessment of actual impact. The websites of many companies in Bulgaria do not present the information on CSR in a way that could attract users’ attention. Typically, a user must intentionally search for the information in order to find it. The link would usually be on the bottom of the page, while the page itself is focused on sales and products. The only companies that tend to prioritize the presentation of their responsibility are those in industrial sectors that are perceived as major environmental polluters, but then again these companies’ websites are not frequently visited by the average consumer.

This situation is understandable because the primary concern of companies is to perform well on the market and to attract customers. Yet it perpetuates a situation in which the average Bulgarian consumer is neither aware nor interested in the social impact of business. This leads to a downward spiral in which companies feel frustrated by the lack of appreciation for social efforts and tend to either diminish such efforts or not to give them enough attention when communicating their business goals and achievements to the public. It appears that large Bulgarian businesses are determined to maintain a proper European and global image of responsible companies, but they do it largely for their own sake, knowing that the majority of Bulgarian consumers will not be impressed. Thus, instead of regularly communicating to the community and customers, Bulgarian companies (foreign and national) tend to opt for visible social actions involving high-profile figures or even popular “stars” whose participation in CSR action frequently involves the spending of unnecessary resources yet is sure to attract media attention. This blurs the distinction between corporate social responsibility and advertisement.

In Bulgaria, more than in the more socially aware societies in some Western European countries, the lines of pressure for strengthening “responsibility” need to run in both directions: while in Western Europe it is mostly society (and the state) exerting pressure on business to assume its share of social responsibility, in Bulgaria business should also join the state in cultivating a stronger culture of responsibility among customers and citizens. In this way the Bulgarian business sector can start climbing upwards on the spiral by creating an environment where consumers reward companies that maintain socially responsible practices. Such an environment will make corporate social responsibility a meaningful and strategic part of company business.

In 2010 the Bulgarian network of the companies members of the Global Compact implemented an important project aimed at developing indicators for measuring the impact and effectiveness of corporate social responsibility. The indicators can be found at: http://www.csr.bg/measuring-csr/191-indikatori-za-izmervane-efektivnostta-na-kso-na-nacionalno-i-korporativno-nivo. Another result of the project was a handbook for self-assessment of the effectiveness of company CSR activities, which, however, is not available online. In general, more work needs to be done in
Bulgaria to establish a sound practice of measuring and evaluating the social impact of business. A key role in this process should be played by NGOs, the state and the academia.

Certification and labelling schemes, awards, seals, etc.

In Bulgaria, there are no local certification and labelling schemes indicating socially responsible practices or products produced with special attention to their social and environmental impact. Bulgarian companies can apply the EU certification schemes but the Bulgarian business sector has been slow to react. The main reasons include lack of understanding of the voluntary certification schemes and mechanisms for reducing environmental impact available at EU level and the lack of public support in this process. So far, the EU Ecolabel which identifies products and services that have a reduced environmental impact throughout their life cycle is used by just one Bulgarian company – Paper Factory Belovo. The EU Eco-Management and Audit Scheme (EMAS) certificate is integrated in Bulgarian legislations through the Environmental Protection Law (Art. 132-136). However, it is just starting to be used in Bulgaria and only 8 companies have adopted it (http://www.moew.government.bg/). The ISO 14000 certificate is the only tool that is widespread among companies in Bulgaria.

There are no visible and well established initiatives aimed at encouraging business to adopt responsible business activities. Ad hoc but small scale events and initiatives are implemented by NGOs or under the auspices of the Ministry of Labour and Social Policy (they are listed in the Action Plans accompanying the Strategy on CSR). However, these initiatives are mostly focused on raising awareness.

Since 2003, the Bulgarian Business Leaders Forum organizes the annual Responsible Business Awards whose main objective is to give credit and publicity to companies with outstanding record in the field of corporate social responsibility, thereby encouraging other businesses to go social. The award ceremony always involves high-profile business and political leaders and receives wide media coverage.

Consumer awareness and trust of CSR

As discussed in the section on communicating corporate responsibility, consumer awareness and trust of corporate social responsibility in Bulgaria is low, even for the most obvious advantages such as energy efficiency and impact on the environment. Businesses we interviewed suggested that implementing responsible practices cannot be translated into competitive advantages such as consumer loyalty, employer pride, international competitiveness, partner trust and investor preference. We tend to agree with this verdict. The only tangible link between increased competitiveness and CSR in Bulgaria is the ability of companies to reduce their own costs by introducing energy efficiency or waste management practices.

Role of media

Companies in Bulgaria tend to link CSR to increased visibility and improved public image; often, CSR would not be practiced if it could not attract public attention. This leads to the conclusion that CSR is frequently understood as a form of PR. While literature on the topic often castigates the tendency to use CSR as an image-making approach, this tendency is understandable on the Bulgarian market in conditions of economic downturn, limited access to credit, low domestic consumption and limited size of the “responsible consumers” market niches. Yet it should be noted that media in Bulgaria tends to distort incentives for CSR by rewarding with higher visibility and coverage initiatives that involve high-profile politicians or celebrities from the world of sport,
culture, fashion, etc. This undermines the effectiveness of the initiatives in terms of social impact vs. resources spent.

Public support and promotion of CSR

As noted above, Bulgaria applies an arm’s length governance approach when it comes to CSR. There are no regulations regarding business reporting and disclosure related to CSR. Activities related to CSR are not regulated separately from all other activities of for-profit legal entities. There are no legal acts referring to corporate social responsibility. Legal regulations, policy plans and policy strategies aimed at the promotion of CSR among SMEs and at the promotion of socially responsible investments are missing.

Various grant schemes under Operational Programmes such as “Innovations and Competitiveness”, “Regions in Growth”, “Human Resources Development” and “Rural Development” can be used to finance socially responsible business projects as long as for-profit companies are eligible for funding. There is no financial support mechanism directly targeting CSR.

Public procurement rules concerning the so-called “green public procurement” have been introduced in Bulgaria as a voluntary instrument, following EU directives and strategic documents. The EU definition of Green Public Procurement has been adopted, namely “a process whereby public authorities seek to procure goods, services and works with a reduced environmental impact throughout their life cycle when compared to goods, services and works with the same primary function that would otherwise be procured”. Green Public procurement in general can provide advantages to companies with strong social responsibility toward the environment. During 2014 (the last available official statistics) 37 green public procurement procedures were conducted and awarded, and the total contracted amount is over 13 million euro (Public Procurement Agency website). Green public procurement, however, faces many challenges in Bulgaria, most of which are indicative about the challenges facing environmental CSR. Firstly, green products are perceived as more expensive, so in conditions of voluntary application of the green public procurement rules coupled with the adverse economic situation, contractors prefer to opt for the lowest price methodology and save resources. Secondly, there is generally low awareness and recognition of the benefits of green products. A third group of challenges relates to the lack of skills, knowledge and commitment among the staff of the contracting bodies to either appreciate the competitive advantages of green products or to apply green public procurement rules or to handle assessment and criteria based on environmental impact and costs during the lifecycle (BuySmart +).

In Bulgaria there is no updated government strategy in the field of corporate social responsibility. The most recent government Strategy for Corporate Social Responsibility addresses the period 2009-2013 (Ministry of Labour and Social Policy, 2009) and we can assume that this strategy is still being used even though its last Action Plan is from 2012. There is no information on any public consultations involving the development of this strategy. The strategy is based on the conception of CSR emerging from the relevant EU and international strategies and documents. Thus, CSR is defined as a concept whereby companies integrate social and environmental concerns in their business operation and in their interactions with their stakeholders on a voluntary basis. The strategy aims to chart the government’s vision about the priority goals for the promotion of CSR. It is expected to help the government create an auspicious environment that facilitates and encourages socially responsible business practices and active voluntary contribution by all
stakeholders (public institutions, business, consumers, social partners, non-governmental organizations, media and the academic community) in view of overcoming the consequences of the economic and financial crisis.

The promotion of CSR in Bulgaria is the responsibility of the Ministry of Labour and Social Policy. The Strategy initiates the creation of a Consultative Committee on corporate social responsibility attached to the Minister of Labour and Social Policy. The Committee involves a deputy minister from other relevant Ministries, representatives of other public institutions, representatives of the organizations of the social partners, representatives of business and the academic community. The activities of the Consultative Committee have so far not become known to the general public and their impact is unclear. Due to the relatively novelty of the CSR concept in Bulgaria and the overarching arm’s length approach towards it, the 2009 government strategy is mostly focused on raising awareness and improving the visibility of CSR. In addition, the government recognizes the failure of the state to structure and promote the dialogue on CSR among a wide range of stakeholders. Priority is therefore given to efforts aimed at building the capacity of all stakeholders to contribute to the growth and quality of CSR practices in the Bulgarian business environment. Also prioritized are efforts aimed at promoting reporting on corporate social responsibility.

Our overall position is that while there is an acceptable level of understanding and awareness of CSR within the government and public agencies, this area is not receiving enough attention. In principle, all the social challenges and policy priorities outlined in the strategic documents presented in Bulgaria – Annex 1 are relevant to devising a meaningful and effective company strategy for achieving social impact. As far as corporations are concerned, Bulgaria’s policy framework geared towards increasing energy efficiency and achieving environmental sustainability is especially relevant. Despite the clarity and adequacy of the strategic priorities set in public policy, it is not reasonable to expect that the business sector in Bulgaria will magically acquire adequate and profound understanding of the main strategic directions for sustainable social and environmental development in the country and their link to everyday business operations. There will not be an automatic process of aligning business strategies with the priorities in public policy. Currently, few companies are able or even willing to assess the actual social and environmental impact of any resources they invest in CSR. CSR initiatives in many firms are more reactionary and compensatory than pro-active with regard to social challenges. It is often the case that companies choose to base their CSR initiatives on measures and actions that are popularly accepted as important or efficient, promoted by media and easily understood and accepted in the prevailing public opinion. It is very rare that companies devise CSR strategies that are pro-active and seek to induce social change, change pre-conceived ideas or social behaviour, or introduce an innovation. Most of the companies in Bulgaria that stand out for such approaches are branches of multinational companies with long traditions of meaningful responsibility strategies.

All in all, however, this drawback can be tackled by restructuring the dialogue between the state and business. Such restructuring is primarily a problem and responsibility of the government. True, as the country is struggling with the severe economic and social consequences of the financial crisis, CSR is probably not a top priority. Yet a meaningful dialogue between business and government focused on clear, concise and practical presentation of the strategic policy directions in the social-economic development of the country and the expected contribution of business can move CSR forward on the scale of depth and quality. We recommend the organization of an annual high-profile forum with the participation of government, non-governmental actors and large business, which should use much fanfare to gather the three parties together but use less fanfare
and grand speeches in doing the job, namely to present a clear ‘responsibility contract’, setting out the government’s list of policy areas and targets where business could work to help its home society. Most businesses do not know this list yet. And indeed, it is not their job to know it. A pro-active attitude of government, within the confines of its arm’s length governance approach, can help shape CSR strategies in ways that will promote the creation of shared value by business and society or at least direct business sponsorship into areas where it would make a greater difference.

Institutions and initiatives at national level supporting CSR and alignment with global approaches

Apart from the Ministry of Labour and Social Policy, there are no other public institutions directly involved with CSR. Networks of business and non-governmental entities usually lead various initiatives aimed at alignment with global approaches or promoting CSR (more information on each is provided in Bulgaria – Annex 3):

- Bulgarian Business Leaders Forum: created a Code of Business Ethics to be adopted on a voluntary basis by companies operating in Bulgaria; specializes in high-profile events.

- A national network of companies, members of the initiative United Nations Global Compact: raises awareness of CSR in Bulgaria.

- A Bulgarian Code for Corporate Governance was adopted in 2007 and popularized with the active support of the Association of Bulgarian Industrial Capital and the Association of Bulgarian Investor Relation Directors.

- Key non-profit organizations active in the promotion of CSR are the United Nations Development Programme, the United Nations Industrial Development Organization, the Bulgarian Chamber of Commerce and Industry, the Bulgarian Business Leaders Forum the Confederation of the Employers and Industrialists in Bulgaria, the American Chamber of Commerce in Bulgaria, the Bulgarian Charities Aid Foundation.

- CSR Bulgaria - http://www.csr.bg/ is a specialized network promoting good practices and providing information and consultancy on relevant CSR issues.

Contextual factors and conditions affecting CSR in Bulgaria

Economic/sectoral structure

An important contextual factor determining the development of CSR in Bulgaria is the prevalence of small and medium-sized enterprises in the business sector. In the conditions of economic hardship and tight liquidity constraints that have characterized the last two and a half decades, small companies are almost exclusively survival-oriented and neglect areas of business that are perceived as non-essential for economic and financial viability. They have little resources or motivation to invest socially. Larger, financially stable and more dynamically developing companies, as well as branches of multinational companies, are far more likely to care about their public image and their interaction with stakeholders. They do this for different reasons. Some are well aware of the negative impact their activity has on the environment, as well as of the fact that society is knowledgeable about this impact. Such companies have motivation to engage in CSR. Still other companies genuinely believe that improving their external environment would improve their prospects for further development.

Adverse impact of the economic and financial crisis
Almost all of the companies that we interviewed indicated that the protracted economic crisis is adversely affecting their ability to spend human and financial resources on corporate sponsorship and CSR. In fact, the economic crisis appears to have almost stopped the CSR “ball” from rolling in Bulgaria. After 2006-2007 there was a clear tendency for public and non-governmental pressure for “corporate responsibility” to increase and the issue was gaining visibility. Since 2011-2012 there is a noticeable retreat in public pressure and interest. Recommendations on the further promotion of CSR are available in Bulgaria- Annex 5.

Education and training in the CSR field in Bulgaria

A Master’s programme in CSR is offered by the University of Finance, Business and Education. The Programme was initiated by the United Nations Global Compact Network Bulgaria in cooperation with Intertek Academy® and CSR Bulgaria. This is the only accredited programme specifically focused on training CSR professionals.

Training for CSR professionals is provided outside formal education, too. For example, the United Nations Global Compact Network Bulgaria has an internship programme. The Bulgarian Business Leaders Forum offers master classes. There are numerous ad hoc workshops and conferences in the framework of international and national projects.

Importantly, CSR issues are in the process of being steadily integrated into higher education, either as a CSR course or as part of subjects such as Business Ethics (see Bulgaria – Annex 4 for more details). The coverage of CSR issues in vocational education and training is much less developed. Like in the case of social entrepreneurship, the key to a genuine development of responsibility-minded business leaders and employees having the skills to practice CSR is the integration of the topic, as well as topics such as community development and sustainable development, in various economic study programmes specialized for different industries and business sectors. Parallel to this, these subjects should be given more pronounced attention in more generic study programmes such as economics, business, marketing and management, possibly by introducing subjects like social innovation and sustainable development which are more common for study programmes in the field of public policy and administration. Conversely, the subject of CSR should be included in study programmes in the field of public policy, public administration and social work in order to facilitate future partnership between the state, business and the non-profit sector. Needless to say, there is a need to develop high quality Bulgarian language training materials adapted to the needs of various target groups of learners and various levels of education.
Development and Challenges of Social Entrepreneurship in Spain

Historical context: origins and evolution of social enterprises in Spain

Strictly speaking, the concept of “social entrepreneurship” as it emerged during the 1960s and 1970s in Social Change Theory and later developed in 1980s and 1990s under the influence of the work of founder of Ashoka Bill Drayton (Drayton and Budinich, 2010) is relatively foreign to Spain. Yet actual developments on the ground point to the existence of social entrepreneurial and social business practices. As in many other European economies and societies, these practices are discussed in public, academic and policy discourse under the term “social economy”. This term is officially the “lead” concept in the field following the enactment in 2011 of the National Law 5/2011 on Social Economy. Universities, too, have begun to offer specific education for Social Managers and Professionals in order to promote social enterprises and social entrepreneurship.

Spain has a long social economy tradition dating back to the 19th century. Cooperatives, voluntary bodies, foundations as well as other not-for-profit organizations have taken part in income-generating activities for social rather than commercial purposes for years. An important impetus was provided by the economic crisis of the 1970s, which coincided with the political process of transition to democracy. It brought about high levels of unemployment, cuts in public spending and a general context of austerity. Civil society organizations, including social enterprises, got actively engaged in activities within the economic sector in response to unmet demands for social services, specifically the needs of unemployed workers, workers in precarious position on the labour market, persons with disabilities and socially excluded groups. This is the period of fast development of social economy forms such as workers’ cooperatives, worker owned companies and work integration social enterprises (WISEs) (ICF Consulting Services 2014, 7-8). (Unemployment and economic cycle in Spain, 1977-2012. An approach to the causes of high unemployment rates and its almost total synchronization with the cycle. Joseba Lebrancón Nieto, University of Santiago de Compostela. History and Economic Institutions Department. /“Desempleo y ciclo económico en España, 1977-2012. Una aproximación a las causas del alto nivel de desempleo y de su casi total sincronización con el ciclo”. Joseba Lebrancón Nieto, Universidad de Santiago de Compostela. Departamento de Historia e Instituciones Económicas) (Social under-development of Spain. Causes and consequences. Vinçent Navarro 2006 / “El subdesarrollo social de España. Causas y consecuencias”. Vinçent Navarro 2006). Those types of social economy enterprises were supported by legislative changes. For example, few worker owned companies were created during the period from 1990-1996, because of too high requirements for minimum social capital set by the law; however, after 1997 their number began to increase again when the law became more flexible (Chaves 2008, 45).

The urgency of the unemployment issue in Spain since the 1970s also brought about a realization that traditional employment policies as pursued by the central government were becoming ill suited

to meet real social needs. From the 1990s on, Spain started to devise and implement longer-term development strategies and approaches that increasingly involved civil society, focused on local development and sought to take advantage of the specific characteristics of each city or region. Active employment policies focused on occupational training were crucial in this context as they could alleviate the phenomena of structural unemployment and gender and age-based inequalities. Yet the actual beneficiaries of these active policies were those who were easiest to retrain and could anyway find jobs on the labour market. WISEs appeared in Spain to meet the social integration needs of those that could not entirely benefit from active employment policies, namely those with low levels of employability. The first WISEs were created at the beginning of the 1980s by leaders of local communities and church associations. Recognizing their potential to contribute to social inclusion, regions gradually began to encourage WISEs through subsidies and, later, through positive discrimination when awarding public service contracts (Vidal and Claver 2005, 4-5).

In recent years during the current economic crisis, government priorities and fiscal austerity has limited room for public policies to support the development of the social entrepreneurial sector. However, high unemployment (22.37%) and cuts in welfare state provision create urgent social needs that encourage new emerging forms of social entrepreneurship. Currently, the social economy makes a substantial contribution to the Spanish economy. The Spanish Business Confederation of Social Economy (CEPES) estimates that it is responsible for 10% of the Gross Domestic Product and 12.5% of employment. Almost half of the population is influenced by the activities of the social economy. During the last 8 years, 29,000 new companies and 190,000 jobs have been created within the social economy and many of these jobs have benefitted young people under the age of 40 (http://www.cepes.es/cifras).

The SIE 2012 Report (Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs 2012), the social economy in European Countries includes over 2 million enterprises (i.e. 10% of all European businesses) which employ over 11 million paid employees (the equivalent of 6% of the working population of the EU). We can conclude that in terms of the development of the social economy (at least as far as the traditional social economy enterprises are concerned; less so when it comes to social entrepreneurship) Spain is close to the EU average and far ahead of many countries, especially those in Central and Eastern Europe. Indeed, Spain can be considered the main example of the cooperative economy model.

The social enterprise sector in Spain

Legal framework and main actors in the social economy in Spain

There are several entities within the social enterprise panorama in Spain: cooperatives, worker-owned companies, WISEs, Sheltered Employment Centres, foundations and associations. The role of social enterprises in Spain is to achieve social impact while carrying out an economic activity. Below is a brief description of the legal frame and the main business/legal forms contributing to sustainable local and regional development in Spain:

- Cooperatives are a heterogeneous group of economic entities with democratic structure and functioning. They operate on the basis of voluntary membership and aim at carrying out

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business activities with the objective of satisfying the social and economic needs and ambitions
of their members\(^8\). In 2015, there were over 20,000 cooperatives in Spain and they employed
over 275,000 workers. (http://www.cepes.es, Statistics Section). According to the General
Assembly of COCETA, the Spanish Confederation of Worker Cooperatives, worker
cooperatives in Spain are doing well despite the crisis - since 2008, the number of cooperatives
created has increased by 75% and 77.4% of those were worker cooperatives. Furthermore,
cooperatives are claimed to manage the crisis better than other enterprises - according to the
Spanish Ministry of Labour, 12% fewer jobs have been lost in worker cooperatives than in
other business entities, and jobs created in cooperatives are stable jobs mostly based on
permanent and full-time employment. Spanish worker cooperative have created a reputation
for saving jobs by taking over enterprises in crisis. In 2015, nearly 40 enterprises were
converted into cooperatives in order to avoid laying off employees (http://www.cecop.coop).

At state level, the legal framework for cooperatives is centred on the Law on Cooperatives
(Law no. 27/1999). This state-level framework regulates the work of cooperatives which
operate on the territory of two or more autonomous regions, none of which qualifies as a
predominant region of their activities. Cooperatives which primarily operate on the territory
of one autonomous region are regulated by the respective laws of this region. Certain types of
cooperatives (e.g. consumer cooperatives, insurance and credit cooperatives) are subject to
specific regulation. The strongest social impact of this business form is achieved by the social
initiative cooperative (Cooperativas de Iniciativa Social), which provides services of general
interest in the field of education, welfare and medical fields or engage in work integration of
socially excluded persons. A social initiative cooperative is essentially a not-for-profit entity
and the distribution of profit is allowed only through the attribution of dividends at a specified
rate (European Center for Not-for-Profit Law 2012, 25-26). Social initiative cooperatives are
closer to the EU definition of social enterprises due to the fact that their impact is not limited
to the economic interest of particular members but instead is geared toward contributing to the
public benefit.

- Foundations and associations are non-profit organizations whose mission is to pursue a
  common general interest and not an individual one. They can carry out economic activities in
  which case profits need to be used in line with statutory purposes. (Law 50/2002, Foundations)
  (Law 30/1994, Foundations and tax incentives for private participation in activities of general
  interest) (LISMI “Law of Social Integration of the Disabled”). Especially relevant are
  associations working for the benefit of people with disabilities or focused on persons at risk of
  exclusion. Such associations provide services where the offer of the for-profit sector fails.
  Based on statistics offered for “Cepes” Spanish Business Confederation of Social Economy,
in 2015 there was 42,929 entities whose activity took part of the Spanish social economy, of
which 107 are foundations, 7,092 are Associations of the disability sector.

- Mutualities (also referred to as mutual societies) are non-for-profit private insurance entities
  that offer social protection to their members as a complement to the public social security
  system. They operate under the exclusive competence of the Autonomous Communities while
  also complying with the general legislation at national level\(^9\). According to the latest available

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\(^9\) Royal Decree 1430/2002, approving the Regulation of Mutualities of Social Prevision.
data, there are 373 mutualities in Spain, employing 1,360 persons (http://www.cepes.es, Statistics section).

- Employee-owned companies (also known as labour societies) are corporations or limited liability companies in which most of the capital belongs to the workers who provide services for the company on the basis of unlimited contracts. According to data from 2015, there are 10,471 worker-owned companies in Spain, employing around 64,500 people. Since 2009, there has been a steady and substantial decline in both the number of employee owned companies and in the number of persons in them (in 2009, there were nearly 17,000 such companies) (http://www.cepes.es, Statistics section). The decline is the result of the economic crisis.

- Work integration social enterprises (WISEs) (also referred to social integration enterprises or insertion companies) are typically set up as foundations or associations. They are regulated by a special Law on WISE since 2007. Further laws regulate this issue at the level of Autonomous Communities. WISEs in Spain are defined as “learning company structures that aim to enable access to employment for disadvantaged collectives by carrying out a productive activity. To this end, an integration process is designed, during which a conventional employment relationship is established.” A percentage of WISE staff (ranging between 30% and 60% depending on the region) must be workers in integration. 80% of the turnover should be reinvested in the company. Currently, in Spain there are 206 WISEs and they employ around 2,646 people (http://www.cepes.es, Statistics section). The recent Law 31/2015 on Social Economy introduced new norms for WISE, namely WISEs are recognized as providers of services of general economic interest and are included in the reservations of contracts from public administration. To further promote WISEs, the law introduces financial bonuses for enterprises employing people who have recently completed their pathway in a WISE.

- Sheltered Employment Centres were established by Law 13/1982 of Social Integration of Disabled People. This form of social economy enterprises seek to blend economic activities and market realization with a commitment to supporting social groups with fewer opportunities in the job market, especially persons with disability. Their staff comprises the largest possible number of persons with a disability - the proportion cannot be below 70% of the total staff. According to data from 2014, there were 505 Sheltered Employment Centres in Spain (the largest number of them being in Andalucia) employing 29,831 workers (http://www.cepes.es, Statistics section).

- Fishermen’s Guilds are non-profit public law sectoral bodies that represent the economic interests of fishing vessel ship owners and workers in the extractive industry, while also acting as advisory and consultative bodies for the public authorities with competences in fisheries with the ultimate aim to both promote the interests of their members and contribute to local development, social cohesion and sustainability. Currently, there are 132 such guilds, the region with the largest number being Galicia (http://www.cepes.es, Statistics section).

During the 2000s Spain moved fast forward in improving the recognition and regulation of non-for-profit entities and NGOs within the social economy:

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11 Law 13/1982 and Royal Decree 1/2013, of Social Integration of Disabled People.
- A fiscal framework for NGOs was laid down by Law 49/2002 on the fiscal regime of non-for-profit entities and on fiscal incentives to patronage.

- In 2005, the Spanish Observatory of Social Economy was created with the support of the Ministry of Labour and Social Security.

- In 2011, the Spanish Parliament approved two important laws: Law 2/2011, of March 4, on Sustainable Economy, Law 5/2011 of March 29th, on Social Economy entered into force in April 13th. The objective was twofold: to create a legal frame for the entities and companies which make up the social economy and to grant them more visibility and recognition.

Awareness of the concept in society, public attitude and government position

In Spain, while the concept of social economy has been regulated, there is no comprehensive specific regulation of social enterprises. Furthermore, the decentralised nature of the Spanish state builds a diverse mosaic of policies and social economy movements at regional level.

In November 2011, on the occasion of the national elections in Spain, UpSocial\textsuperscript{14} convened meetings with all parliamentary groups to promote some concrete measures to develop the social innovation and entrepreneurship ecosystem. This was a joint action that engaged professionals from various fields, institutions, organizations and businesses. Since then, UpSocial has placed before the government and political parties various proposals to strengthen social innovation in Spain, with a specific focus on 3 measures:

- Creation of Limited Liability General Interest Company\textsuperscript{15} as a new legal form.

- Introduction of tax incentives for impact investors.

- Promoting a fund in support of R&I in the social sphere in Spain.

In 2013, the Government of Spain passed Law 14/2013 “to support entrepreneurs” without any inclusion of a social entrepreneurship reference or perspective. In fact, it was one of the most important reasons why it was rejected by the leftist parties as shown in the Report of the Parliament presented by Parliamentary Group Plural Left\textsuperscript{16}.

In October 2013, the proposal for the Limited Liability General Interest Company (S.L.I.G.) reached Parliament, thanks to the support of a group of more than 60 organizations and professionals\textsuperscript{17}. In a recent interview dated July 2015, Luis Cayo Pérez Bueno, President of the Spanish Committee of Representatives of People with Disabilities (CERMI) continues to argue for a Social Entrepreneurship law in Spain\textsuperscript{18}.

\textsuperscript{13} National Law 2/2011 on Sustainable Economy, BOE number 55, date 05/03/2011. Law 5/2011, on Social Economy BOE number 76, date 30/03/2011.

\textsuperscript{14} UpSocial is a community of social entrepreneurs, consultants and organizations sharing knowledge and resources, learnings and inspiration, working on facilitate social entrepreneurship and innovation.

\textsuperscript{15} Sociedad Limitada de Interés General S.L.I.G.


\textsuperscript{18} \url{http://www.cermi.es/es-ES/Noticias/Paginas/Inicio.aspx?TSMEIdNot=6770}
Support for social enterprise in Spain

Legislative efforts to promote sustainable development began in the late 1970s. Notably, the promotion of cooperatives has been included in the 1978 Spanish Constitution. The notion of social economy developed further in the 1980s and culminated with the adoption of the Law on Social Economy in 2011. The concept of social economy contained in this law largely corresponds to the idea of social enterprises put forward by the European Commission in its Communication (2011). In 2011, a Sub-Commission on social economy was created within the Spanish Parliament, but it was subsequently dismantled.

The issue of the social economy has started to be dealt with at institutional level: Since 2012 the Spanish Government maintains a specific position devoted to social economy within the Ministry of Labour and Social Security. Miguel Ángel García, General Director of Self-Employed, Social Economy and Social Responsibility (for the last three years) and Carmen Casero Gonzáles (since July 2015), are supposed to be in charge of promoting legislative and public plans in support of the social economy, as well as of designing the supporting schemes and programmes for enterprises pertaining to the social economy. This position is also responsible for collecting and publishing statistics on worker owned companies and cooperatives. Evaluating the results of local policies, the content of the entrepreneurship laws (Law 14/2013 to support entrepreneurs, mentioned before) and information published by FUNDETEC19, the conclusion is that since 2012 this position has focused political action more in the self-employment field than in the fields of the social economy and social responsibility.

At national and regional level, public support mainly focuses on the social economy, while EU funds are mainly used to support social entrepreneurship (ICF Consulting Services 2014, 8). At regional level, all Autonomous Communities have departments dealing with social economy and entrepreneurial issues; the Autonomous Communities have also exclusive competences in some crucial areas related to social economy, such as cooperatives and mutualities. Indeed, most of the Autonomous Communities have adopted their own legislation in these areas. According to the data gathered by the International Centre of Research and Information about public, social and cooperative economy (CIRIEC)20, some Autonomous Communities are more active in supporting social economy schemes than others. In 2004, for example, Andalusia, Catalonia and Valencia invested more in social economy in terms of support in investment, grants and support at employment creation than any other region (ICF Consulting Services, 2014, pp. 6-7).

Opportunities and barriers for social enterprise in Spain

Recent changes in public procurement rules, passed under impetus from the civil society (notably through active lobbying of the party of the ONCE Foundation and CERMI - the umbrella organization and platform representing disability in Spain) are also intended to encourage the social economy by inclusion of social clauses, in particular aimed at improving the employment opportunities for people with disabilities (Foro De La Contratación Socialmente Responsable, 2015). Notably, the 5th Additional Provision of the Spanish Public Procurement Law (TRLCSP) that came into force through the Law for the Promotion of Self-Employment and Measures for

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20http://ciriec.es/
Social Economy, requires the State, Regional and Local Governments to set a minimum number of contracts to be reserved for Special Employment Centres. The new provisions were preceded by pioneer actions to the same effect at regional level. The most cited example is the 2013 Barcelona City Council Decree which obliged contracting bodies to reserved contracts and to use social (and environmental) considerations in award criteria and contract performance clauses. Restricted tendering procedures were envisaged for WISEs, Special Employment Centres and non-profit organizations.

An important impetus for the policy and legislative changes in support of the social economy has been the pressure from within the social economy itself. Notably, CEPES has advocated and promoted the adoption of the Law on Social Economy and has been very active in the support for, promotion and dissemination of social economy activities. Every year CEPES produces a ranking classifying the relevant companies for the social economy according to their turnover and number of jobs created and presents statistics of social economy sector. Other important actors are ASCES (Association for the Cooperation of social economy), FADEEI (Federation of Associations of WISE), FEACEM (Business Federation of Associations of Sheltered Employment Centres) and REAS (Network of Alternative and Solidar ity Economy).

Promotion of social entrepreneurship in education in Spain

From its origins, the mission of the university as an institution has been to train professionals and specialists in different fields of knowledge. However, the university is also responsible for educating genuine citizenship, ethically citizenship that is responsible and responsive to social reality. A study of the University of Valencia called “Ethics and business in universities: social entrepreneurship in Public Universities as transmitter of social equity” (Palomares and Chisvert 2014) contributes to discussions on the development of a new conceptualization of social entrepreneurship in Spain. Moreover, it contributes on the development of universities’ curricula that include teaching and learning in the field of social entrepreneurship. This study applies the content analysis method to conduct a critical review of university degrees offered by public universities in Valencia, and analyses how students are trained in social entrepreneurship. 32 degree course outlines in social and legal studies fields offered in Valencia’s Public Universities are examined.

The results of the analysis show that university studies in Valencia do not extend the entrepreneur perspective towards a more social and moral vision: moral and social dimensions are awarded relatively little importance during training. Moreover, the moral and social competences of future entrepreneurs are left in the hands of “hidden curriculum”.

Nevertheless, the social aspects of entrepreneurship are not entirely absent from the Spanish academic field. Indeed, more and more social enterprises and foundations seek to hire managers with background in this field and create demand for social entrepreneurship studies, so we can expect the offer to grow. Below, we present below some examples of relevant studies in Spanish universities:

CIADE (Entrepreneurship Centre) of the University “Autónoma de Madrid” (UAM), has developed a Programme in the frame of the School of Social Entrepreneurs with contents related

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21 http://www.cepes.es/Estadisticas
to Social Projects, Legal Frame, Social Management, Third Sector Entrepreneurship and Social Development.

University of Comillas, one of the Spanish universities ranked among the top 100 in the world by Times Higher Education, has developed Degree and Master’s Programmes in social entrepreneurship and has the University Chair of Ethical Economics and Business22 whose main fields of action are: development cooperation, labor market integration, social enterprise-co-working, empowerment and independent living, social housing and public outreach advocacy.

Deusto University23, offers a Workshop of Social Entrepreneurship in the frame of Enterprises and Society. It also has a Master’s degree in Entrepreneurship and Innovation Leadership with some social aims and goals in which participants must show the initiative and eagerness to tackle new innovation projects starting from the idea phase and carrying it through to implementation, especially focusing on innovative applications of technology and generating a positive social impact.

The School of Social Sciences and Labour at the University of Zaragoza has been developing for the last three years the Graduate Programme of Social Services and Resources Management24 (dirygess) with 31 credits (ETCS)-775 hours, and 86 Professors. It covers subjects such as Social Projects, Social Entrepreneurship, Legal Frame, Social Economics, Social Networks, including Internship periods for students and individual Final Research. With this Programme, University of Zaragoza is responding to the demand for manager professionalization for both profit and non-profit private sector and, of course, the public one.

The University of Barcelona carries out some research on the topic and offers a Master on Social Economy within their Research Centre for Economy and Society25.

UNED (National University of Distance Education) offers a course on Entrepreneurship and Social Innovation26.

PwC Foundation27 was founded in 1998 (before PricewaterhouseCoopers) to collaborate with the Spanish society by sharing its capabilities, experience and resources to study, teach and disseminate financial, economic and legal knowledge; and to promote cultural enrichment through relevant expressions. Its educational programme aims to promote academic and corporate reflection on key matters for the economy and Spanish companies. In the Third Sector, it contributes to identify and support cases of social innovation and social entrepreneurs who have an impact in terms of creating social value. It also promotes the professionalization of the third sector as a lever to improve its management capacities and, consequently, its capacity to improve society. The Foundation has been collaborating with Ashoka in Spain for two years and also supports the Social Innovation Institute of the ESADE Business School28 in the debate and reflection on leadership and change in NGOs and other not-for-profit organisations.

22 http://www.upcomillas.es/es/catedra-de-ethica-economica-y-empresarial
24 https://sociales.unizar.es/dirygess/presentacion
27 http://www.pwc.es/es/fundacion/programas.jhtml
28 http://www.esade.edu/research-webs/esp/socialinnovation/investigacion/proyectos
The University of Castilla-La Mancha and the Weber Institute have developed an important initiative in the field of Social and Economical Entrepreneurship, focused on young entrepreneurs. It is a complete and accurate guide of resources on social entrepreneurship in Spain (Pérez Camarero, Hidalgo Vega et al. 2014) containing a complete general legal frame, recommendations and a guide to all the organisations and public institutions that give orientation and resources relevant to social entrepreneurs, region by region in Spain.

UDESCOOP, the Research Institute on Social Economy and Entrepreneurship is one of the 20 research institutes of the University of Valencia. It was founded in 2003. Its research fields are social economy, the third sector, social enterprises and the non-profit sector. Twenty-two researchers work at IUDESCOOP, belonging to different disciplines, mostly economics, management, law, social work and sociology. The Institute has an official Doctorate Programme in Social Economy (Cooperatives and Non-profit organizations), and a Master in Social Economy.

The European Information and Documentation Centre on Public and Social Economy (CIDEC) is a joint venture of the IUDESCOOP and the research network Ciriec-Spain and is based at the University of Valencia. IUDESCOOP is the research institute in economic and social science with the highest scientific production rate at the University of Valencia. It hosts the predominantly Spanish-language journal “Ciriec-España, revista de Economía pública, social e cooperativa”.

Involvement of Business in Corporate Social Responsibility in Spain

Historical context: origins and evolution of corporate social responsibility in Spain

Although in Spain public debate on CSR started several years later than in the rest of Europe, after the Lisbon Summit on 2003 the number of socially responsible initiatives has substantially increased. This development has been led by international agreements such as the Global Reporting Initiative, and nationally, the SG21 management system, which started the certification of IQNet SR10.

There has been an increase in the number of initiatives of CSR support and promotion which are the result of agreements among companies or of cooperation between civil society and the public administration. These alliances have been the two most frequent mechanisms of CSR development. The public administration has specifically attempted to promote the role of CSR, e.g. an Experts Forum coordinated by the Ministry of Employment and Social Affairs was created and a report: “Public policies for the development and promotion of CSR in Spain”.

Among the proposals raised in this report are: information exchange, promotion of CSR in society, use of CSR as a guide for administrative regulations. Also, it was suggested to create a National Board on Social Responsibility (CERSE) with the following objectives: establish a regulatory frame, propose initiatives, report of companies’ regulations, propose standard regulations for sustainable practices, assess and report about the state of art of CSR in Spain, etc..

30 http://www.ciriec-revistaeconomia.es/
31 Foro de Expertos.
Besides CERSE, in Spain there are several other public initiatives at local and national level. In the last decade Spain has adopted numerous legislative initiatives (legislation on gender equality, legislation on dependency, legislation on disabled social inclusion or legislation on environmental issues) but there is still no significant link between them and a CSR culture.

**Level of awareness of CSR**

There are three essential pillars of CSR in Spain:

- **Innovative sustainable companies**: Spain has a remarkable number of big companies committed to forward-looking sustainable development.

- **Regulatory framework and infrastructure of CSR support**: Both at a national and local level, Spain has promoted numerous regulations aiming at promoting CSR implementation. However, this regulation is mainly voluntary and has produced unequal results across enterprises.

- **Economic risks and opportunities in each sector**: The application of sustainable approaches can alter the risks and opportunities depending on the sector’s structure.

The level of awareness of CSR in Spain is relatively different in big enterprises and in small and medium ones. A report on CSR in medium and small companies in Spain (Ikei 2007) noted that the central government decision to define CSR as a voluntary activity resulted in a situation in which the main mechanism of raising awareness of CSR was the comparison with other companies. Big companies have thus paved the way to the introduction of new social responsibility measures, while small and medium companies have imitated that process in accordance with their position and possibilities.

In 2011, Forética, analysed CSR in Spain within more than 1,000 enterprises. 88.9% of the big and medium companies progressively developed CSR measures; 54% of them are leaders in developing CSR measurement and reporting. More recently, a study from the Excellence Sustainability Club in 2013 with a sample of 147 cases (mainly big companies) concluded that 52% of the companies already had a CSR integral management system.

By international comparison, Spanish enterprises are doing well with regard to the accountability performance on different aspects of CSR. A large number of companies have signed the UN Global Compact and have thus committed to the fundamental pillars of responsible corporations (human rights, labour conditions, environmental protection and corruption fight). Also, Spain stands out as a country with a large number of sustainability reports - the main instrument of accountability for interest groups. According to KPMG Annual Report on Social Responsibility, the quality of these reports in Spain is 34% higher than the world average, and 11% higher than the EU average. CSR reporting is already a widespread and consolidated practice. The Global Reporting Initiative - an organization that promotes accountability on sustainability issues - points out that 159 Spanish corporations published this kind of report in 2013 (as a comparison, there were in total 4,060 reports published worldwide). KPMG calculates that 81% of the big Spanish enterprises regularly publish CSR reports.

All in all, despite the lack of compulsory regulations on CSR for companies, the level of awareness has been rising as a result of leadership taken by several companies, mainly through CSR reporting.
Prevailing definition and practice of CSR in Spain

Spain generally follows the EU definition of Corporate Social Responsibility, namely as an activity in which “companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”. However, this definition has also led to confusion about the real meaning of CSR.

Spain has enacted ISO 26000 regulation which establishes that all companies must be aware of the current necessity and benefits of a socially responsible behaviour and acknowledge that the aim of CSR is to contribute to sustainable development. In the view of Lizcano and Moneva (2004), a probable explanation of CSR implementation is that, being a voluntary commitment, companies are not encouraged to engage with it and, therefore, the level of knowledge and implementation of CSR will be directly related to the level of public recognition and outreach received. Pastor and Muñoz (2006) add that CSR is a new way of management for organisations that compels corporations to integrate a social and environmental dimension in their plans and budgets.

The main ambiguous issue in the prevailing definition of CSR in Spain remains its voluntary nature and the need (or redundancy) for regulating social responsibility requirements. CSR is widely understood as a policy of fulfilling all legal requirements while also engaging in voluntary action to create an added value in its activity. The scope of voluntary CSR activity varies greatly from one company to another.

Policies, regulations and ongoing initiatives for promoting sustainable social and environmental development at the local and regional levels

This section clarifies the relation between CSR and policymaking. The following regulations are applicable in the Spanish context:

- ISO 26000 regulation: International guide for organisations from the private and public sector that offers orientation on social responsibility issues, their acknowledgement and involvement within the company activity. It contains voluntary guides and does not involve certification documents.

- SGE 21 regulation (updated in 2008): It is a framework document that allows managing, assessing and certifying the level of implementation and commitment with regard to social responsibility aspects.

- 10 SR (Social Responsibility): It is a management system for social responsibility issues that integrates company activities with sustainable development principles, satisfaction of needs and expectations of stakeholders and a transparent, ethical and sensitive behaviour. It is based on a “Plan-Make-Verify-Act” methodology. It provides with a tool for organisations to progress and communicate their advances, especially for medium and small companies.

- Legal framework: On March 2011, the Sustainable Economy Law[^32] was approved. It refers to CSR (particularly in article 39). Briefly, it addresses the following aspects: good practices promotion, competitiveness in CSR (with a tool for self-assessment), communicating transparency, good governance, environmental protection commitments, human rights, effective gender equality, reporting through third parties, among others.

Actions of support and promotion are being launched gradually and several initiatives are materializing. For example, there is financing through the Directorate General of Self-Employment, Social Economy and Social Responsibility of Companies for the organization of reporting programmes and professional conferences by NGOs to promote CSR. There are other actions taken by the central government. On the basis of recent legislation, the Ministry of Industry adopts an Annual Integrated Plan for grants. There are two articles in this regulation that are relevant to CSR. The first one, related to effective gender equality, notes that balancing family and work practices will be considered, even with a distinctive certification on gender equality issues. The second one is about equal opportunities, no discrimination and universal access for disabled people; it indicates that the application of special measures for this objective will be taken into account in the process of approving projects. Moreover, at the III National Congress of CSR in Zaragoza on May 2012, Miguel Ángel García Martín, from the Directorate General of Self-Employment, Social Economy and Social Responsibility of Companies, announced that the government was finalizing a CSR National Plan for every region and public administration in order to develop common criteria to assess CSR in companies. Regional public administrations are adopting CSR measures themselves. As an example, Extremadura already approved the region’s own legislation on Social Responsibility. More Spanish regions have also adapted their legislation to CSR.

The approval of this legislation at national level has generated controversy among CSR experts. The debate on the voluntary basis of CSR actions vs. the need for regulation has reopened during the economic crisis. This debate is still unresolved in Spanish legislation as far as each region approaches this issue differently. In the case of Aragon, the law has been recently modified so it is now a matter of voluntary decision for banks to develop cultural, educational or health actions as a social responsibility instead of being compulsory (up to a certain budget) when the bank shows a certain level of economic performance.

“CSR Observatories” are now present in almost every region: Extremadura, Andalucía, Cataluña, Murcia, La Rioja or Valencia. Also, many of them have been created under the impetus of organizations like workers’ unions (UGT, CCOO) and the National observatory of CSR, which was opened in 2004 as a collaborative institution representing different civil society groups and tasked to debate and promote concepts, good practices and initiatives. Through education and dissemination actions this institution has contributed toward increasing the awareness of social responsibility.

The recently approved CSR Spanish Strategy is focused on promoting socially responsible economic activities in both public and private entities, and such practices are deemed important for the competitiveness of the national economy. The CSR strategy is based on several principles (competitiveness, social cohesion, creation of shared value, sustainably, transparency and

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33 Dirección General del Trabajo Autónomo, de la Economía Social y de la Responsabilidad Social de las Empresas: http://www.empleo.gob.es/es/organizacion/empleo/contenido/OM27.htm
34 Order IET/1912/2012, Regulation for Implementation and Development Funding of Social Responsibility on Small and Medium Companies. Published on BOE number 219, September 11th 2012.
38 Resolution to Law 4/2014, Banking foundations of Aragon. Published on BOE June 16th 2015.
voluntary work). The highest priority is to “strengthen CSR as a mechanism to promote the image of Spain and a positive perception of its product and services”, to achieve this aim, public institutions are expected to promote initiatives, such as short films to raise awareness and encourage consumers to demand enterprises to develop CSR politics, and discussion forum for experts representing civil society associations, universities, government and companies. The Public Administration has also launched the Enterprises and Human Rights Plan – an action plan aimed at raising awareness of this issue among interest groups and promoting management systems to ensure that human rights are being respected. The Government has improved its administrative transparency (which is still poor according to European standards) as a demonstration of internal responsibility. Sustainability reports are published by ministries. At regional level, this practice has been extended to Aragon, Cantabria, Castilla and Leon, Cataluña, Extremadura, Galicia, Murcia, Basque Country, etc.

**Contextual factors and conditions affecting CSR in Spain**

Spanish companies have become very active in the adoption of principles and implementation of CSR management tools during the first decade of the 2000s. According to Forética database, 54,1% of Spanish companies are active in CSR implementation and less than 10% is unaware of it or are against it. The position of Spanish business is especially strong in the environmental field – according to the “Carbon Disclosure Project” (Fundación Ecología y Desarrollo, 2008), eleven Spanish companies are among the 187 top pioneers in tackling climate change. The national context is thus relevantly favourable for CSR development. The main factors that influence CSR implementation are:

- There is a favourable regulatory framework for CSR - a national strategy, several committees and boards at national and regional level, and a regulatory system that contributes to promoting social responsibility. However, small and medium companies are still very much behind big companies in terms of involvement in CSR, despite the existence of new measures and boards seeking to encourage the social responsibility of this sector.

- The structure of Spanish business is a key factor in CSR implementation. 99,9% of companies are small or medium: 99,3% are small (0-49 employees) and 0,6% are medium (50-249 employees); only 0,1% are considered big companies (more than 250 employees). This structure is very similar to the EU context. The presence of CSR policies and tools in Spanish small and medium companies is rather negligible compared to CSR development in big companies. Forética (2011) reports that only 4% of the small companies had CSR policies and tools, as opposed to 54% of the big companies. As mentioned before (Lizcano and Moneva, 2004), the voluntary basis of CSR actions allows companies to capitalize on CSR efforts and creates benefits in the form of public recognition, many times due to proper marketing. In the case of small firms, marketing is not really applicable or essential, which diminishes the potential benefits.

**Initiatives aimed at encouraging business to adopt responsible business activities**

The structure of policy making in Spain is relatively complex. Both central and regional administrations claim responsibility for CSR regulations, and both have developed different actions in their area. In the last ten years, regions had an optional duty of regulating CSR in their
area. Every community has approved rules very similar to recommendations that already exist at national level.

The case of Aragon illustrates how CSR has been supported regionally. Aragon’s Government was the first regional administration to introduce some regulations on CSR and it provided public support for social responsibility measures implemented in companies. Since 2003, a call for grants for small and medium enterprises was opened to encourage these enterprises’ adaptation to sustainability. This mechanism has since become a preferred CSR promotion tool in Spanish regulation initiatives at all levels. In this same regulation, an innovative “Industrial Quality Programme” was created in which CSR was promoted as an opportunity to improve the competitiveness of Aragon’s corporations by simultaneously integrating into economic activity new value-added creating trends from the international market and affirming corporations’ responsibility for the environment and society. In addition to these regulations, different awards were created to acknowledge innovative projects of companies that adapt their activity to CSR principles (“Social Responsibility Award for Aragonese Companies”). This prize distinguishes those enterprises that have demonstrated active commitment to economic, social and green development through their activities, management and transparency. In April 2006, the Confederation of Enterprises of Aragon (CREA), with regional government support, presented the CSR managerial plan in Aragon. This plan established a number of initiatives, programmes, and concrete actions to invigorate and integrate CSR among organisations in Aragon.

There are other entities which receive support from the regional government to promote social responsibility: EÁREA, ECODES (a foundation for development and ecology), San Ezequiel Moreno Foundation and the National Congress of Social Responsibility. Recently, the Region’s Quality Certification (Marca de Calidad Territorial, MCT) has been launched under the impetus of rural development group; it aims at identifying rural companies committed to their community, economic development and environment. The CSR Association of Aragon (ARARSE), created in 2011, promotes the implementation of training and assessment programmes and socially responsible management systems.

Another set of initiatives promoting CSR comes from civil society and the NGO sector. It is related to Spain’s contribution to supporting global development. CSR for global development has thus become integrated with the UN Millennium Development Goals NGOs try to involve Spanish companies in the agenda for international development.

**Consumer awareness and trust of CSR, development of socially responsible investing and role of the media**

Corporate Social Responsibility in Spain has been positively correlated with return on investments. Spanish companies with top performance on sustainability standards offered an excellent opportunity for investment in the last fourteen years, generating higher than average financial return than average. Socially Responsible Investment (SRI) – i.e. investment that integrates environmental, social and corporate governance (ESG) criteria into the investment processes - contributes to reinforce Spanish enterprises’ external competitiveness. Spanish companies that are

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39 Regional Order on October 17th on Funding for Industrial Companies in Aragon. Published on BOA number 129, October 30th, 2002.

40 Confederación de Empresarios de Aragón http://www.crea.es

41 Asociación Aragonesa para el Desarrollo de la Responsabilidad Social Empresarial, http://www.ararse.org
leaders on CSR policies generate more margin benefits and are better rated by investors and analysts. According to Forética reports, the integration of CSR indicators marks a better performance in the market economy and, therefore, benefits the development of the company. After a combined analysis of sixteen indicators on a long-term basis, Spanish companies with more mature CSR activities are showed to surpass their competitors in 64% of the cases. These companies have higher marks on 70% of the indicators against those less sustainable companies.

Consumer awareness of CSR is relatively high as many citizens participate in CSR debates through their involvement in different associations. The report developed by the consulting firm Nielsen shows that in 2015, four out of 10 consumers choose socially engaged brands even if they were more expensive. Consumer awareness has increased by 5 percentage points compared to results from 2014. Authorities and civil society have supported the process. For example, the Environmental Education Strategy of Aragon (EÁREA)\(^{42}\) consists of a participative programme for different training and educational centres to promote environmental awareness and protection. The project has achieved visible results during the past years and has created sustainable social networks of persons and organisations committed to raising awareness of environmental hazards and promoting a participative process of decision making. EÁREA involves 385 organizations, 104 of which are companies.

In the Spanish context, CSR is addressed in the national media, environment by specialised media and by specific sections in more general media. Media that specializes on CSR focus on disseminating best practices and showing the impact of concrete actions for the purpose of raising awareness on social responsibility. Currently, the major examples are: Compromiso Empresarial, Compromiso RSE, Diario Responsable, Ethic, Forum Calidad y MediaResponsable. Among the general media that have special sections for CSR matters are: Europa Press, Servimedia, Efe o Bloomberg. Less frequently, economic specialised media (Expansión, Cinco días) and more general-interest media (El País, El Mundo o La Razón) also cover some social responsibility news.

**Education and training in the CSR field in Spain**

Professional career in CSR in Spain has been mainly promoted by universities and business schools, which have made an effort to establish training and specialised courses on this subject.

Within university curricula, CSR is addressed in view of developing basic qualifications and professional skills in this area. Most of universities offer training on CSR and many of them develop CSR reports for their institutions. The section below describes the main CSR programmes present at this time:

- Since 2004 University of Barcelona promotes social responsibility skills together with Foundation Research Centre for Economy and Society (CIES) through a Master’s Programme “Corporate Social Responsibility, Social Accounting and Audit”. It is focused on theoretical and methodological training for future managers.

- UNED (National Distance Learning University) collaborates with renowned professors from different Spanish universities on training in social responsibility through a Master on CSR. Its first class began in 2007.

- University of Alcalá created a chair of CSR. In 2008 it launched a Master in CSR. Currently this initiative is accompanied by the qualification of CSR European Manager (ECQA) and a Degree on Corporations Volunteering.

- University of Zaragoza offers a special programme on Management of Social Resources and Services (dirygess). This degree is specialised in CSR in third sector companies and social service enterprises.

The Business Schools most committed to CSR are:

- The Company Institute, connected to IE Business School collaborates on promotion and dissemination of social responsibility, notably through conferences and debates on CSR organized in cooperation with the Spanish Network of the UN’s Global Compact. Also notable is its own programme for CSR Executives.

- The mission of ESADE’s Social Innovation Institute is to develop the skills of professionals and organizations in private companies and NGOs in view of strengthening their contribution to a more sustainable world. The Institute works in different fields such as research, training and outreach for companies, NGOs and social entrepreneurs. It emphasises ethical issues and socially responsible investments.

- IESE Business School. This organization from University of Navarra, has its own CSR chair since 2006. Its mission is to promote and disseminate the study of CSR from an applied scientific and multidisciplinary approach. Its collection of CSR publications is well known and has received awards.

- EOI. This business school is the oldest in Spain and is specialised in areas such as environment, energy, sustainability, innovation and quality. It has launched a CSR master programme and organizes a series of conferences on different topics. Its English-language Master Programme in Sustainable Development and Corporate Responsibility is well recognised:

The UN Global Compact through its Spanish Network provides a practical framework to develop, implement and communicate socially responsible practices, offering a wide spectrum of resources and sustainability management tools. The network also offers specialised courses and training on CSR for companies. It has developed a Guide to CSR principles, an accountability programme, and plans to prevent corruption.

In sum, the integration of CSR issues in Spanish training programmes shows the following tendencies:

- Universities identify CSR as a major study area on its own, not simply as a complementary one. In most cases, courses are only elective but there are also compulsory CSR courses in some programmes.

- Postgraduate studies tend to be more flexible on their curriculums and this has allowed the development of specialized degrees (17) in CSR. In other cases, CSR courses are included in programmes not specifically specialised in CSR which represents a positive trend towards integrating ethical issues in every business model. For example, this occurs in several MBA programmes that include a compulsory course on CSR.

- Research on CSR is recognized as important for both economic development and social sustainability. Research work focuses on dissemination of good practices and transfer of knowledge between academia and industry. In the current context, a key study area is the new
socially responsible and sustainable business model; it is subject to debate in numerous conferences on CSR.
Development and Challenges of Social Entrepreneurship in Portugal

Authors: Cátia Furtado and João Gonçalves

Historical context: origins and evolution of social enterprises in Portugal

In Portugal the model of solidarity and cooperative economy has traditions (see Portugal – Annex 1). This was already true in 1867, when Portugal became the second country to have a law for cooperatives. However, it was only after the democratic revolution of 1974 that the cooperative movement experienced consolidation. This is visible in the creation of the António Sérgio Cooperative for the Social Economy (“Cooperativa António Sérgio para a Economia Social” - CASES) in 2011. CASES is a federation of cooperatives engaged in promoting the strengthening of the social economy sector in Portugal, deepening the cooperation between the State and member organizations, in order to stimulate their potential at the service of socio-economic development.

The timing of its inception is also relevant, as 2011 marks the entrance of the “Troika” programme in Portugal, and with it, a considerable reduction in public spending. Thus, CASES was brought forth as a means to complement a predictably reducing welfare state, and the paradoxical fact that the global economic crisis in 2008 produced an urgent need for public social intervention. Hence, the government launched a reform programme that, by establishing some “public-social partnerships”, affirmed the role of the social economy as a way to fight social exclusion and inequality, improve the effectiveness and efficiency of social protection, and promote the third sector by focusing on social entrepreneurship as a response increasing poverty and unemployment.

At the present moment, in Portugal, the terms “social enterprise” or rather “organization of the social economy (SEO)” commonly refer to not-for-profit organizations owned by privates, with some social, solidarity or local development aim. The most common designation is Private Social Solidarity Institutions or IPSS (“Instituições Privadas de Solidariedade Social”), introduced in Portugal in 1979, which plays a significant role in Portuguese society today.

According to the Satellite Account of Social Economy, in 2010 there were 55 383 Social Economy Organizations in Portugal grouped into five main categories: cooperatives, mutual societies, Misericórdias (mercies), foundations, associations and other social economy organizations (see table below). However, in this broad universe of social organisations, only about 5085 were official registered as “IPSS” in 2015. This represents a decrease in the number of registered IPSS from 5099 in 2014. The majority of IPSS was dedicated to social work and worship and congregation.

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43 ICF Consulting Services, 2014, p. 6
44 Austrian Institute for SME Research. 2007.
46 See section on Statistics for more information
Social economy entities generated 2.8% of the national Gross Value Added (GVA) and 5.5% of employment in Portugal in 2010. Nearly half (48.4%) had activities in the field of culture, sports and recreation, but their weight, in terms of GVA and paid employment, was relatively small (6.8% and 5.4%, respectively)\(^48\).

### Main Indicators by Group of Social Economy Organizations (data for 2010)

<table>
<thead>
<tr>
<th></th>
<th>Units</th>
<th>Employment (n°)</th>
<th>GVA (10(^6) euros)</th>
<th>Wages (10(^6) euros)</th>
<th>GVA Employment (10(^3) euros by FTE)</th>
<th>Wages employment</th>
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<tr>
<td>Families</td>
<td>N.°</td>
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<td>10(^6) euros</td>
<td>10(^6) euros</td>
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<td>Families</td>
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<tr>
<td>Cooperatives (Cooperativas)</td>
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<td>31 783</td>
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<td>657,3</td>
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<td>Mercies (Misericórdias)</td>
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<td>32 493</td>
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<td>Associations and other social economy organizations - SEO</td>
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<td>147 357</td>
<td>2 304,1</td>
<td>2 479,9</td>
<td>15,6</td>
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<td>Total</td>
<td>55 383</td>
<td>226 935</td>
<td>4 262,6</td>
<td>3 955,4</td>
<td>18,8</td>
<td>17,4</td>
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<td>Total of Economy</td>
<td>-</td>
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<td>151 426</td>
<td>86 814</td>
<td>36,6</td>
<td>21,0</td>
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<td>Weight of Social Enterprises</td>
<td>-</td>
<td>5,5%</td>
<td>2,8%</td>
<td>4,6%</td>
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**Source:** INE, Conta Satélite da Economia Social, 2013

### Comparison between Social Economy and National Economy

<table>
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<tr>
<th>Aggregate Indicators</th>
<th>% of Economy</th>
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<tr>
<td>Production</td>
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<td>Intermediate Consumption</td>
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<tr>
<td>GVA</td>
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<tr>
<td>Paid Employment (FTE)</td>
<td>5.5</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** INE, 2013 (adapted).

\(^{48}\) INE, 2013; See Portugal - Annex 5 for more details.
Revenue stems mostly from production (over 63%), while transfers and subsidies represent 24%\(^49\). Within this universe, Working Integration Social Enterprises (WISE) are however generally dependent on public resources\(^50\). The average wage is around 83% of the National Economy, lower than the Public Administration. However, a significant amount of the Social Economy’s GVA is destined to employees’ wages (92.8%). It should be noted that statistics on the social economy in Portugal have not been updated since 2013 (as of end 2016).

**The social enterprise sector in Portugal**

*Awareness of the concept in society, public attitude, government position*

In 2012, the European Economic and Social Committee classified Portugal as one of 6 countries in which the concept of social economy was most widely accepted and recognized by public authorities, companies and the academic and scientific communities. A Country Report produced by the University of Aveiro under Project SEFORIŠ in April 2014 also argues that the awareness of the concept in the country is rising in Portuguese society, as more social initiatives take place. However, these social initiatives are still mostly concentrated around Lisbon and Porto\(^51\).

The Portuguese government definitely recognizes the importance of the social enterprises. Public policy calls for the social economy to contribute to solving urgent social problems. In turn, social economy organisations are promoted and supported through several public initiatives (see sections below).

*Legal framework*

Portuguese legislation does not explicitly deal with the concept of social enterprise. The most recent published legislation is Law 30/2013, which defines the concept of the social economy and the entities and organizations that form the social economy. Despite the introduction of specific legislation, there is still debate on the definition of "social economy", "Social Employment Market", "social entrepreneurship" per se, and "social innovation"\(^52\). According to Law 30/2013, "social economy" stands in-between a market and public economy, and its recognition alongside these other two spheres is explicit in the Portuguese Constitution as "Cooperative and Social Economy".

All in all, IPSSs (*Instituições Privadas de Solidariedade Social* - Private Institutions of Social Solidarity) most closely resemble the EU definition of social enterprises. They were introduced as a legal form in Portugal in 1979 (Decree-Law 519-G2/79\(^53\)). IPSSs are non-profit institutions, created by private entities or persons, aiming at advancing the moral duties of solidarity and justice by pursuing objectives such as: supporting children, young people and families; protecting old, poor, ill and other disadvantaged people; helping in the education and training of citizens; and in

\(^{49}\) INE, 2013  
^{50}\) ICF Consulting Services, 2014, p. 19.  
^{51}\) SEFORIŠ, 2014.  
^{52}\) SEFORIŠ, 2014; ICF Consulting Services, 2014.  
^{53}\) and expanded in 1983 Decree-Law 119/83.
providing housing for the ones in need. The IPSS can be associations of social solidarity; associations of voluntary social action; associations of mutual aid; ‘Misericórdias’ (mercies); foundations of social solidarity; Social and Parochial Centers and Institutes of Religious Organization (ICF Consulting Services, 2014, p. i). On the legal framework for the social economy and IPSS in particular, see Portugal – Annexes 2, 3.

WISEs focus on work integration of disadvantaged people. They are part of the Portuguese employment scenery since at least 1996, arriving with the beginning of the Social Employment Market. Two years later, the WISE programme was introduced as part of a wider set of measures promoting the integration of a variety of groups into the labour market (long-term unemployed, people with disabilities and specific social difficulties, people formerly suffering from addictions and young graduates looking for their first job).

The Portuguese “Social Solidarity Cooperative” (‘Cooperativa de solidariedade social’) is also close to the definition. This legal form was created in 1997 following the publication of Law nº 51/96 that is known as the Cooperative Code and Decree-Law n.º 7/98, that contains the specific legal regime for such entities. This type of cooperative provides services with an objective to foster the integration of vulnerable groups, such as children, people with disabilities and socially disadvantaged families and communities. Portuguese social solidarity co-operatives combine in their membership users of the services, workers and volunteers; they cannot distribute any profit to their members54.

National policies, regulations and ongoing initiatives for promoting sustainable social and environmental development at the local and regional levels

According to article 7 of the Social Economy Law, the social economy entities that are part of the social economy in Portugal are represented in the Economic and Social Council (“Conselho Económico e Social” – CES), a constitutional forum for consultation and social dialogue. The forum aims to promote the participation of economic and social agents in the decision making process, within the scope of socioeconomic issues. The National Council for the Social Economy (“Conselho Nacional para a Economia Social” – CNES) is another relevant body, since it consults, evaluates and monitors the policy strategies and proposals concerning the stimulation and growth of the social economy, hence advising the government and carrying out researches and studies.

In order to promote the competitiveness and growth of small and medium-sized enterprises, in 2007, the Portuguese government established the Institute for the Support of Small and Medium Enterprises and Innovation (“Instituto de Apoio às Pequenas e Médias Empresas e à Inovação” – IAPMEI). In 2013 this institute signed a cooperation agreement with the Holy House of Mercy of Lisbon (“Santa Casa da Misericódia de Lisboa”) to establish the Social Innovation Bank (“Banco da Inovação Social”, BIS).

Research and statistics on social entrepreneurship and social enterprises

Social entrepreneurship is still an emerging area of research in Portugal but it has been growing and developing in recent years (especially in the last decade). The first works that emerged in

54 ICF Consulting Services, 2014, p. 5.
Portugal are from sociology\textsuperscript{55}, law\textsuperscript{56}, economics\textsuperscript{57} and education\textsuperscript{58}. Many other research working papers, thesis, articles in reviews and journals can be found at http://rcaap.pt, a Portuguese scientific repository of open access and other bibliographic databases.

Some research centres focus on the social economy and sustainable development issues: examples include CECES - Centro de Estudos Cooperativos e da Economia Social (a research center dedicated to the social economy in the Faculty of Economy of the University of Coimbra - FEUC); the A3S - Associação para o Empreendedorismo Social e a Sustentabilidade do Terceiro Sector which conducts research on the social economy, social entrepreneurship and public policy for social sustainability; CERIEC-Portugal – Centro de Estudos de Economía Pública e Social (CEEPS) - Associação Científica Sem Fins Lucrativos which has an Observatory of the social economy in Portugal (OBESP - Observatório da Economia Social em Portugal). CIRIEC-Portugal is in fact the Portuguese delegation of CIRIEC - Centre International de Recherches et d'Information sur l'Economie Publique, Sociale et Coopérative. CIRIEC specializes in research in the field of public and social economy and cooperatives.

There are also some specialized schools such as IES (Instituto para o Empreendedorismo Social) - Social Business School that offers a range of training programs to meet the needs and challenges of Social Business initiatives.

As mentioned in the report of SEFORIS\textsuperscript{59}, “it is not possible to find explicit data related to the social entrepreneurs in Portugal”. There are only regular reports on the wider social economy and a few other initiatives\textsuperscript{60}:

- National Institute of Statistics (INE) and CASES: satellite account of the Portuguese Social Economy (mentioned above). The two institutions elaborated a satellite account for the Portuguese Social Economy, following the model that CIRIEC International developed for the European Commission. This study is a significant and detailed account of the social economy and third sector in Portugal.
- Data from the Social Security Institute (http://www4.seg-social.pt/estatisticas and http://www.gep.msess.gov.pt/estudos/cartasocial.php);
- Studies from universities and other research centres.

There are two major research projects that intend to map the social economy and social entrepreneurship in Portugal.

One of these projects is the "Map of Innovation and Social Entrepreneurship in Portugal"\textsuperscript{61} - a pioneer research project launched by the Social Entrepreneurship Institute that identifies and maps innovative initiatives in view of building a knowledge base. The project uses a methodology which closely involves local communities. The main objective is to contribute to the growth and competitiveness of a new Portuguese market based on social innovation and social

\textsuperscript{55} see Quintão, 2004a, 2004b, 2011.
\textsuperscript{56} Namorado, 2006.
\textsuperscript{57} Afonso, 2010-2011
\textsuperscript{58} Parente, Costa, & Diogo, 2013.
\textsuperscript{59} SEFORIS (2014, p.13).
\textsuperscript{60} ICF Consulting Services, 2014
\textsuperscript{61} Available at: http://www.mies.pt/index.php/en/
entrepreneurship. After a pilot of identifying ventures of social innovation and social entrepreneurship in Vila Real, Porto and Cascais, the map is now covering the entire country with over 4,000 identified initiatives as a result of over 800 interviews. Portugal is now the first country in Europe to have a thorough overview of social entrepreneurship in the country. This interactive map aims to raise awareness of the data collected by the research of MIES during the 1st phase (North, Centre and Alentejo). They also published a book “Map of Innovation and Social Entrepreneurship in Portugal | 1st phase” at the end of the investigation process of the North, Centre and Alentejo regions that can be accessed from their webpage (http://map.mies.pt/ptpt).

The other project is “Empreendedorismo Social em Portugal: as políticas, as organizações e as práticas de educação/formação” that lasted for three and half years and finished in June 2014. Its general objective is to analyse the emergence and development of social entrepreneurship in Portugal, from a theoretical and conceptual viewpoint. It is intended to be used by European, English-speaking and Latin American schools which deal with the third sector, the non-profit sector and the social and solidarity economy. The project seeks to deepen knowledge on this issue in the political, institutional, organizational and educational / training areas in Portugal. At the webpage of the project there are several materials/products of the project available for download (http://web3.letras.up.pt/empsoc/index.php/produtos; resources include an e-book and a video documentary).

Key actors, networks and stakeholders

The Portuguese Confederation Cooperative (“Confederação Cooperativa Portuguesa” – Confecoop) is an umbrella organisation of the non-agricultural cooperative sector in Portugal, created in 1988. It unites three important national cooperative federations: the National Federation of Social Solidarity Cooperatives (FENACERCI), the National Federation of Economic Housing Cooperatives (FENACHE) and the National Federation of Consumer Cooperatives (FENACOOP). At national level this Confederation is integrated through an inter-cooperative forum and a Non-Governmental Forum for Social Inclusion (FNGIS). It is part of 4 international entities (such as ICA or the Cooperative Organization of Portuguese-Speaking Peoples – OCPLP) and is part of four important Portuguese official entities: the Economic and Social Council (CES), the CASES, the Commission for Social Employment Market (“Comissão para o Mercado Social Português”) and the Portuguese Social Forum (“Fórum Social Português”) (Confecoop, 2015).

Another relevant actor is the EDP Foundation (“Fundação EDP”) and its Social Lab. This is a “factory”-like initiative that aims to support the creation, settling and development of social business regardless of its stage of development, from start up to scaling up (Fundação EDP, 2012).

‘Bolsa de Valores Sociais’ – BVS – (Social Stock Exchange) is supported by an Internet platform that allows the social investor not only to implement online investments, but also to monitor the implementation of the selected projects through regular progress reports and compliance goals. Thus a relationship of transparency and credibility is established among the social organization and the investor, creating a new standard of financial and social accountability of listed organizations (BVS, 2015). The main objective of the BVS is to identify and support non-profit organizations with projects that offer effective responses to the most urgent social problems. The creation of capital markets and the results already achieved in Brazil led to the recognition of the project by UNESCO and its classification as UN Case Study within the Global Compact.

In terms of stakeholders, the two main entities are the Institute for Social Entrepreneurship (“Instituto de Empreendedorismo Social” - IES) and the Agency for Social Entrepreneurs
(“Agência de Empreendedores Sociais” – SEA). The first one is the above-mentioned research and training centre created in 2008 to raise awareness of social entrepreneurship, stimulate the development of the sector and unite social enterprises and social entrepreneurs. The second represents a multisectoral cooperative created in 2007 by a group of social entrepreneurs to support the development and implementation of projects in the area of social entrepreneurship that contribute to sustainability at social, economic, cultural and environmental level. It has since launched several projects regarding social entrepreneurship and youth training.

See Portugal - Annex 4 for additional information.

Support for social enterprise in Portugal

In response to the 2008 financial crisis, the Portuguese government established the Restructuring Fund for the Social Solidarity Sector (“Fundo de Reestruturação do Setor Solidário” – FRSS), to aid the restructuring and economic and financial sustainability of IPSSs and equivalent organisations in view of ensuring their continuing operations and the further development of the social services that these organizations provide62.

Under the National Microcredit Programme (“Programa Nacional de Microcrédito” - PNM), which aims to promote simplified access to credit to start a self-employment project, 216 full time equivalent and 51 part-time posts have been supported63. The programme CoopJovem (YouthCooperative) has been launched in response to youth unemployment. It promotes the creation or development of cooperatives in which young people can jointly build self-employment projects. After 1998, the government also supported WISEs with special subsidies that could last up to seven years, but support of this type has been phased out and no new subsidies have been awarded since64.

In 2010, the government also launched a special support programme for the development of the social economy (PADES), through the Resolution of the Council of Ministers No. 16/2010 of 4 March 2010, which has introduced government-subsidized loans amounting to 12.5 million euro, with the aim to encourage social sector investment, to modernize services to communities, to modernize management and strengthen the treasury. CASES (Cooperativa António Sergio para a Economia Social) is the manager of the programme in collaboration with IEFP, IP (Instituto do Emprego e Formação Profissional). This credit line is designated by “Social Invest”.

Another programme was later launched by CASES and named “Social Impact” (“Impacto Social”). This programme is managed by CASES and Montepio Fundation. It aims to empower social economy entities in assessing the impact of their actions on the ground65.

REN - Redes Energéticas Nacionais (REN-National Energy Networks), in partnership with the Social Stock Exchange (Bolsa de Valores Sociais), created the Prize AGIR which supports innovative projects and impact in the community, implemented by non-profit organizations. The

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62 Decree-Law No. 165.
64 Quintão, 2008.
65 http://www.cases.pt/programas/impactosocial
initiative aims to support businesses that have an impact on families and the community, and that respond to specific social problems, valuing innovation of each.  

Financial solutions for social enterprises in Portugal

With the creation of Portugal Social Innovation Initiative (Iniciativa Portugal Inovação Social), in December 2014, Portugal is a pioneer in the EU to channel a significant portion (about 150 million euro) from the European Structural Funds of the new 2014-2020 programming cycle for the promotion of social innovation. It aims to support Innovation Initiatives and Social Entrepreneurship (IIES) on condition that they:

- are focused on a social mission by tackling important and neglected problems of society;
- are innovative because they are pioneering activities and initiatives at the global or national level, or are offering pioneering responses to regional social innovations with validated impact;
- have a model that is possible to systematize and replicate in a wider context, given the nature of the problem and solution approach they propose;
- seek to measure and validate their impact in order to continuously improve their performance and to mobilize more resources;
- adopt implementation strategies with mechanisms that promote economic sustainability through efficient resource mobilization, revenue generation, or savings in public spending.

Portugal Social Innovation Initiative will act through 4 complementary funding programs that will follow the life cycle of Innovation Initiatives and Social Entrepreneurship (IIES):

1. Training Program for Social Investment (Programa de Capacitação para o Investimento Social), designed to strengthen the capacity of IIES to generate impact and receive social investment;
2. Partnerships program for Impact (Programa de Parcerias para o Impacto), for co-financing philanthropic investment by social investors, in order to establish or develop IIES;
3. Titles of Social Impact (Títulos de Impacto Social - TIS), with the purpose of contractualization of interventions that lead to greater innovation and efficiency in delivering public services, in a logic of repayment of investments after the demonstration of achieved outcomes;
4. Fund for Social Innovation (Fundo para a Inovação social - FIS) for co-financing, in a financial-instrument logic of social investment operations carried out by qualified investing entities, to grant credit and / or quasi-equity for consolidation or expansion of IIES.

Since March 2015, with publication of Law No. 18/2015 of March 4, a new legal framework for venture capital was introduced. This new framework allows companies that are already in the

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Pombo, 2014.
market to carry social entrepreneurship activity. It also allows venture capital investors to manage European Venture Capital Funds, EuVECA, and European Social Entrepreneurship Funds, EuSEF. However, these funds have a particular focus, as the main aim is not to generate profitable companies, but to maximize social impact.

In principle, there are some funding opportunities for social entrepreneurs. Conventional banks do not usually have a specific offer for social enterprises and do not have specific departments / units that focus on providing credit for social enterprises. However, the Agricultural Credit Bank offers a credit line to support private social solidarity institutions, mutual societies, mercies, cooperatives, local development associations and other entities in the social economy for the purpose of developing their activity within the social economy and creating jobs.\(^{67}\)

The Montepio Group, one of the main banks in Portugal, as part of its Social Responsibility Policy, has also developed partnerships with several organizations and projects in order to provide low-interest loans to organisations of the social economy. Some of these organisations comprise the Learning Enterprise Association - Junior Achievement Portugal (JA Portugal); and the Portuguese Confederation of Volunteering.\(^{68}\)

A private financing source option is the microcredit. It consists of a small loan to support people who do not have access to normal bank credit, have a good business idea and meet the conditions and personal skills requirements.\(^{69}\) This source of funding is established in partnership with some financial institutions; however, interest rates are still relatively high, calling into question the sustainability of the project.

The main obstacle to the financial sustainability of social enterprises in Portugal is the context itself. On the one hand, a for-profit firm legally cannot compete for grants from the Social Security. On the other hand, there is no incentive for civil society to assist the state in providing social services. For example: NGOs that save costs to the state are paid according to a table - there is no sharing of economic benefits, or payments based on social impact, that is, there is no payment by results. The latter is a concept that is "self-evident" in the business world, but hard to understand in the social environment.\(^{70}\) In Portugal, therefore, social initiatives tend to be more based on donations than on economic activity.\(^{71}\) Those that compete for grants from the Social Security are the private-initiative non-profit institutions referred to as IPSSs. There is much to do. Solid foundations need to be created in order to ensure the development of the market that will ensure financial sustainability for the social enterprises. It is necessary to create an entire ecosystem, where the sum of several components must evolve coherently, namely: the provision of financial products (under clear rules); the creation of policies and measures for the implementation and operation of this new market; the legal context (including the opening of the financial market to social issues, transparency and governance models, training for the social and business sector) (Gata, 2014).

\(^{67}\) Caixa Agrícola, 2015.
\(^{68}\) Grupo Montepio, 2015.
\(^{69}\) ANDC, 2015.
\(^{70}\) Gata, 2014.
\(^{71}\) ICF Consulting Services, 2014.
Opportunities and barriers for social enterprise in Portugal

Whereas the third sector and the social economy have been recognized throughout the 1990s, the concept of social enterprises has become a matter of debate only after the 1990s. Original social organizations were significantly dependent on subsidies and often did not have a business component. The 2008 economic crisis, following an already prolonged period of economic recession beginning in 2000, also gave rise to new initiatives. Several of these initiatives have sought to become self-sustaining and to offer new approaches to social problems, social exclusion and challenges in areas such as employment, health, education, environment and competitiveness. Some of these new organizations, projects and practices are considered original initiatives, even in a European context. Social business management has been a growing subject and preoccupation in the so-called third sector, providing impetus for social entrepreneurship.

Despite recent changes in the legal framework of the social economy in Portugal, the social enterprises sector is still facing some barriers and difficulties:

- Poor understanding of the concept of social enterprise, lack of recognition;
- There is some specialist business development services and support but they are not as well developed as should be;
- Recent changes in supportive legislative frameworks may allow new financing opportunities for social enterprises and social economic sector but still there is no clear legal definition of social enterprises;
- Lack of adequate mechanisms for measuring and demonstrating impact (i.e. the impact and contribution of these enterprises cannot be demonstrated and for this reason there is no public recognition).

Promotion of social entrepreneurship in education in Portugal

A variety of Portuguese-language courses exist for prospective social entrepreneurs, such as WACT Spirit at the University of Lisbon72, a Master in Entrepreneurship and Social Service at the University of Beira Interior73, a Master in Social Intervention, Innovation and Entrepreneurship at the University of Coimbra74 and a Master in Social Economy and Solidarity at the Lisbon University Institute75. An International Post-Graduate Program in Social Entrepreneurship was developed in a partnership between the University of Vic, Barcelona and the Polytechnic Institute of Porto76. There is also a postgraduate course in Social Economy - Cooperative, Solidarity and Mutualism promoted by the Research Centre in Cooperative and Social Economy (CECES)77.

Workshops, team-building sessions, discussion and feedback are also offered through an annual weekly get-together in several cities in Portugal (example: Porto, Coimbra, Sertã, Lisboa among

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72 http://www.ulisboa.pt/?portfolio=sessao-de-apresentacao-da-formacao-we-are-changing-together-spirit-cria-o-teu-projeto-social
73 https://www.ubi.pt/Curso/899
74 http://www.uc.pt/feuc/eea/mestrados/MISIE
76 http://www.estsp.ipp.pt/site/index.php?m=104&s=y
77 https://apps.uc.pt/courses/EN/course/1661
others) called ‘Start up Pirates’. Apart from courses and training, additional information is available through a variety of tools. In 2012 the ‘Associação Empresarial da Região Oeste’ published an exhaustive Manual of Social Entrepreneurship for potential starters in the sector. There have also been an increasing number of seminars, conferences and forums in the area of social entrepreneurship and the social economy in general. See for example those promoted by Aveiro-empreendedor or the NOVA entrepreneurship Office of Nova University, among others.

A number of training initiatives are also provided outside of the academia and targeted primarily at professionals. The FORMAES initiative was created by CASES to provide social economy training. Given the diagnosed needs in this field, provided by this first stage of the initiative, CASES launched, in 2015, a training database (“Bolsa de Formadores para a Economia Social”) that is available to Portuguese social enterprises (CASES, 2015a). More recently, CASES launched a new initiative called “Academia ES” with the intention of providing training and raising awareness in the area of the social economy as well as to facilitating knowledge and skills for the development of collective social entrepreneurship projects. The Academia ES has had two sessions, the first in Porto and the second in Lisbon.

An annual workshop in Porto, called “Startup Pirates”, is a one-week program full of workshops, team building, discussion and feedback sessions. Even though this program’s focus is not specifically on the social enterprises it aims to enable aspiring entrepreneurs to get inside the start-up world and learn how to develop a business idea.

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**Involvement of Business in Corporate Social Responsibility in Portugal**

*Authors: Ana Paula Carvalho do Monte and António Borges Fernandes*

**Historical context: origins and evolution of social responsibility in Portugal**

“Portugal has a five-century-old tradition of social intervention institutions, like the “Misericórdias”, with a strong linkage to the Catholic Church. Under the dictatorship regime (1926-1974), a few families dominated the main companies and some of those developed a paternalistic approach towards their employees (Bento, André & Oliveira, 2009, p. 87).

Social responsibility reports appeared in the 1980s when the big Portuguese companies started preparing social reports where they reflected the policies and practices on human resources management on a voluntary basis (Branco & Rodrigues, 2008); such information started to be inserted regularly in companies’ annual reports. The knowledge about environmental practices reports on the other hand is relatively low. Yet, since the 1990s some Portuguese companies have been developing environmental report practices to respond to internal and external requirements (Monteiro & Aibar-Guzmán, 2010). Since 2006, Portuguese companies report, on a voluntary

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82 CASES, 2015b.  
83 Startup Pirates, 2015.
basis, environmental information. In the beginning, CSR activities were seen mainly in terms of philanthropy practices, concerned with employment conditions and ethics.

The boom of CSR in Portugal occurred after the Lisbon Summit of the European Council in 2000 which defined the objectives of transforming the European economy into a knowledge-based, dynamic and competitive one until 2010. Crucial in this respect were the so-called “Lisbon Strategy” (Dias, 2009) and the 2001 Green paper by the European Commission which established the definition on CSR and its dimensions. This definition underpins a consultation process on to how to combine profitability with sustainability and accountability (Grayson & Nelson, 2013). In companies’ sustainability reports we can observe that this definition is used, as well as the sustainable indicators of the Global Reporting Initiative (Afonso, Fernandes & Monte, 2012; Fernandes, Monte, Pimenta & Afonso, 2013).

The review of Portuguese research on CRS indicates that researchers are using as benchmark in their studies the most recent definitions, yet the definition given by the EC’s Green Paper is the main one.

**Level of Awareness of CSR in Portugal**

In the last decade there has been an effort to raise awareness of CSR in Portugal. According to Report 2002/n.º 4 of the Observatory of European SMEs, these companies actually practice some kind of external CSR, mostly in an informal way and based mainly on donations (supporting activities like culture, sports, health and welfare). The MORI report on CSR Europe, in September 2000, concluded that the majority of Portuguese citizens were unfamiliar with the CSR concept. Nowadays we believe, according to more recent surveys on consumer behaviour (e.g. Loureiro, Sardinha, & Reijnders, 2012; Marques, 2012; Beito, 2014) that the level of awareness has increased. The surveys indicate that consumers have knowledge on CSR but still do not reflect it in their consumer behaviour. Research conducted for this project indicates that companies, students, staff and research typically know about CSR; yet some remain unaware of it.

**Prevailing definition and practice of CSR in Portugal**

Considering the literature review, it can be concluded that the prevailing definition of CSR is related to the EC’s Green Paper and CSR is regarded as a voluntary activity of business. The surveys also indicate that CSR is mainly seen as philanthropy although companies show some awareness of human rights issues, environment impact activities, health and security of employees.

**National policies, regulations and ongoing initiatives for promoting sustainable social and environmental development at the local and regional levels**

Although there is no specific policy or regulatory framework for CSR in Portugal, there are a number of sectoral policies that concern it. These include National Plans for Gender Equality, Discrimination, Citizenship, Immigrant integration, Health and Safety at work, Social inclusion and Sustainable Development. All the plans include measures to support the application of social and sustainable concepts and initiative in the corporate world. See Portugal – Annex 7 for a list.

Additionally, the term “Responsible Industry” is used in a new (landmark) regulation (Decree no. 169/2012) entitled “Responsible Industry System”. The regulation establishes the norms and regulations for the installation and exploration of industries, and their accreditation process. Set against a new paradigm of low entry barriers for companies (“Zero Licensing”) the law allows the
wavering of *a priori* controls in favour of *a posteriori* mechanisms. It is therefore deeply reliant on the sense of responsibility of corporate leaders and CEOs. Besides individual companies, a number of pre-licensed business areas can benefit from the outset from lower levels of state control. Entitled “Responsible Business Areas” (ZER), these infrastructure areas allow pre-licensed, simplified localisation of businesses. In certain cases, the mandatory Environmental Impact Assessment study is also waived. In addition to the installation of industries, ZER includes a host of other activities such as commerce and services.

All in all, in recent years the state’s role in CSR has been limited to promotion and guidance. The most important state-led initiatives are included in Annex 8.

**Involvement of business in social issues and sustainable development in Portugal**

Our research shows that business mostly engages with the following socially responsible activities (in order of importance): training plans, eradication of instances of discrimination, health, safety and wellbeing related measures, work-family balance measures, integration of minorities, incentives for trade union creation. To reduce their environmental impact, companies in Portugal undertake (in order of importance): optimisation of processes and recycling, measures of energy conservation, contamination avoidance, environmental protection, reduction of fossil fuel powered transportation. Regarding market related practices, Portuguese companies often use mechanisms to receive feedback from clients and suppliers and relatively often pursue a policy of full disclosure of their products and suppliers. It is less often (38% of respondents) that they are committed to disclosing all potential risks associated to their products and services. Business involvement in the community typically involves “buy local” policies, frequent support to community activities (charities, volunteering, patronage, etc.), support for employee participation in local projects and training opportunities provided to the local community.

Most Portuguese companies declared that the companies in their value chain are characterised as mostly undertaking ethical and responsible activities. Companies themselves communicate values related to ethics and social responsibility. Furthermore, respondents believed that no human rights are being breached in Portugal regarding access to products and services. However, there was some unawareness to the effects of their activities in other countries. Less than half of respondents stated to demand a strict policy regarding human rights violation in other countries.

Finally, more than half of the companies see non-formal education as the best way to educate employees about CSR.

Examples of CSR initiatives implemented by Portuguese companies include: internal competitions to choose supported institutions: organised community work, blood donation, and support to homeless; food donations; recycling practices; support to unprotected children; financial support to local social organisations; promotion of healthy food; focus on training and internal certification and organisation of activities to support external institutions; improved long term worker relationships, namely avoidance of workplace instability; regular support to community level organisations, for example support to volunteer work; financial support for conferences organised by higher education students, book acquisition, and other financial support to students; composting; fundraising for local organisations, clothes gathering, blood donations; social benefits for company workers: health and life insurance, gym, car repair and pharmacies discounts, and food cards. All in all, we are witnessing a combination of philanthropy-like activities and more strategic CSR. Yet most of the activities are not part of clear long-term sustainability strategies,
except in relation to the company’s own employees. This finding to a large extent confirms the findings of other research projects and survey available in the literature on CSR in Portugal.

Contextual factors and conditions affecting CSR in Portugal

The assessment of contextual factors and conditions affecting CSR was performed via a questionnaire targeted at companies and corporations in Portugal. A total of 29 companies responded, mostly SMEs (under 250 employees). In contrast, there were merely 3 responses from larger companies (+250). This is however in line with the national business profile, where SMEs make up 99.9% of the business sector in Portugal, even though they are responsible for merely 60.9% of the total turnover\textsuperscript{84}. Most companies were familiar with CSR (86%). An even higher number of companies actually declared to be involved in concrete actions applicable to the concept (97%). Notwithstanding, the crisis impacted negatively their ability to engage in CSR activities. About half of respondents declared that their level of social responsibility activities decreased since 2011. Companies were then asked on the challenges that arise when considering CSR planning and initiatives. A majority (31\%) stated that the bottom line was their first concern, and CSR always takes a back seat. A further 24.1\% declared that other companies in the value chain and the consumers themselves did not see any value in CSR, so there would be no impact on sales or company image. 17\% stated that the costs mostly outweigh the benefits of engaging in CSR and the same percentage believes that clients are actually willing to pay a higher price to have more sustainable or socially responsible products. 14\% stated that stakeholders were not sufficiently engaged or involved in CSR.

Regarding the direction that companies thought public policy should pursue, answers mentioned: tax benefits, tax reductions, provision of a catalogue of certified institutions that can be supported, European funding, acknowledgement and dissemination of CSR good practices, provision of information, provision of training; support for long-term employment.

Certification and labelling schemes, awards, seals

Portugal follows by and large international guidelines on certification, specifically SA 8000, a certifiable norm published by the Social Accountability International (SAI), closely aligned with United Nations and International Labour Organisation conventions. There are also a number of national standards: ISO 26000 – Social Responsibility Guidelines, NP4460-2007 (part 1 and 2) – Ethics in organisations, and NP 4469 – Social Responsibility Management System. These national and international norms are briefly presented in Annex 9.

Initiatives aimed at encouraging business to adopt responsible business activities

In the absence of regulatory enforcement, voluntary standalone initiatives abound. In this sense, business-led associations have played a relevant role in Portugal in promoting and guiding CSR practices.

The most prominent in Portugal is the WCND branch - BCSD Portugal – “Business Council for Sustainable Development”. Composed by the main corporations in Portugal, the Council’s aim is

\textsuperscript{84} Responses came from across the country. There was no over-represented region, although it can be argued that the main metropolitan areas of Lisbon and Oporto have been underrepresented in the sample. The responses boasted a considerable range of fields of activities. Furthermore, no recent start-ups were part of the sample as all the companies had more than one year’s existence.
to galvanize the business community to create a world that is sustainable for business, civil society and the environment. In order to advance its mission, BCSD Portugal has created a number of Working Groups dedicated to the discussion and advancement of businesses’ role on the main contemporary issues: “Mobility”, “Social Development”, “Agrofood”, “Sustainable Events” and “Human Resources”.

“Grace - Group of Reflection and Support to Corporate Citizenship” is also a business-led initiative. A non-profit created in 2000 by a group of businesses interested in enhancing and streamlining companies’ role in social development, it is composed at the moment of 100 companies from a broad range of sectors. The association publishes reports and participates in projects related to its mission. As far as projects are concerned, ENGAGE – “Mentoring Program for Immigrants” is worthy of mentioning. It is an initiative developed in partnership with ACM - High Commissioner for Migration, to create a network of volunteer mentors to support the integration of immigrants in Portuguese society. The mentors are volunteers from Grace member companies. However, Grace main contributions are in publishing a several reports and guides on CSR: “Guide to Volunteering in Companies”, “SME Social Responsibility Guide”, “How to mobilise companies for Social Projects” Guide, “First Steps – Practical Guide for CSR”, “Looking into the future – a new reflection on CSR”.

In conclusion, instructed by the wealth of available guidelines such as the ones presented, companies have preferred to:

- Work within the local (underprivileged) community.
- Undertake CSR Reporting. This methodology is used extensively in Portugal. According to KPMG International, more than 90 percent of companies are engaged in CSR reporting with high quality standards.
- Use a set of indicators developed within the National Strategy for Sustainable Development (ENDS – 2015) that allows assessment of progress towards sustainable development goals and support policy measures.

**Consumer Awareness and Trust of CSR**

There is some research on Portuguese consumer behaviour related to CSR and consumer awareness. One of the first report on CSR awareness was published in 2004 by SDC- Consulting and Developing Sustainability and CECOA (Pinto, 2004). It concludes that Portuguese consumers are not sufficiently aware of social responsibility issues. Their decisions are mainly concerned with the ratio quality/price of products/services. To a very small extent they give some attention to work conditions in the companies and sometimes they considered them in their consumption decisions. Consumers also tend to more easily punish those companies that have a bad social responsibility image than reward those who are good social responsibility players. This report also concludes that the low level of awareness among consumers could be related to the fact that media do not publicize the good examples (i.e. companies that implement good social responsibility practices) but instead mostly only expose the bad ones (as good news in their opinion are not news) and also due to the fact that most of the companies that implement some social responsibility practices do not communicate them internally or externally (because they are afraid that they will be considered as opportunistic or more and more people will ask for donations).

More recent studies (for instance: Beito, 2014; Loureiro et al., 2012; Marques, 2012; Rodrigues, Real, Vitorino, & Cantista, 2011; among others) conclude that consumers are a little more aware
but the level is still low. Rodrigues et al. (2011) analyses the link between CSR and consumer behaviour. They studied the “Delta Café” brand (as this is one of the top brands that have publicly known CSR policies) and their results showed that consumers tend to prefer companies and brands that advocate an active policy on social responsibility. They concluded that the association of social responsibility policies and brand image motivates same consumers to develop certain behavioural attitudes.

Loureiro et al. (2012) have studied the value placed by Portuguese car buyers and users on the three top car brand sellers in Portugal, considering several factors related to consumer satisfaction and perceived CSR regarding labour practices, community development and environmental performance. CSR factors together explain 15.6% of the variability in consumer satisfaction. The study also found that consumers valued environmental performance much more than activities related to labour practices and community development. So, in their opinion, “(...) the overall importance of CSR for consumer satisfaction suggests that in car manufacturing, CSR may not only directly contribute to better CFP by lowering costs and increasing productivity but may also indirectly contribute to better CFP by increasing consumer car purchasing satisfaction” (Loureiro et al., 2012, p. 176).

The television news is the main source of information of the Portuguese citizens (Brandão, 2008). The media is therefore an instrument of increased relevance and influence on the opinion of citizens, as well as of shaping public opinion. We find some TV shows, radio programs and other initiatives that discuss the social responsibility of companies. Examples include the TV programme “Sociedade Civil” broadcast on RTP2 on 8 and 11 January 2015.

**Education and training in the CSR field in Portugal**

As of June 2015, in Portugal there are some courses that teach CSR, social responsibility and/or ethics at different levels of higher education (Universities and Polytechnic Institutes). Figure 9.1 represents some of CSR courses existing all over the country. As it can be seen, most of the courses are concentrated in Lisbon and along the Education Institutions located in the coast region. Notable exception is University of Évora that is located in the interior of the country. There were two undergraduate degrees (UD) in the management and economic field that have 3 electives courses on CRS topics and three master degrees (MD) that has topics on CRS at Minho University (at Braga City). At Porto city, there were two high education institutions (HEI) that offer courses on CRS topics: the Católica University offers one degree per level (one elective course on one undergraduate degree and one on a master degree). There are two degrees at undergraduate level with 2 elective courses per degree: one course at the MBA and one course in a master degree (MsC in Accountancy and Finance) in Economics Faculty of Coimbra University. The place with more courses and degrees is Lisbon, where we find higher education institutions that offer several degrees with elective and compulsory courses.

Courses on CSR in higher education institutions in Portugal included in undergraduate and graduate degrees:
Apart of these elective and non-elective courses in undergraduate and graduate degrees, there are also some open and free courses provided by universities that are represented in the figure below.

**Open and free courses on CSR in higher education institutions in Portugal:**

- **Católica (Porto)** - 1 course (with 14 hours)
- **U. Açores** - 1 Course (with 14 hours)
- **U. Minho (Braga)** - 2 degrees with 3 elective courses per degree
- **Católica (Porto)** - 1 degree; 1 elective per degree; 1 MD
- **U. Porto (Porto)** - 1 degree

**ISG**
- 4 degrees 1 elective per degree; 1 MBA: 2 elective courses
- 1 MD: 2 elective courses
- 1 MBA: 2 elective courses

**ISCSP**
- 2 degrees 1 elective per degree; 1 MBA: 2 elective courses
- 2 MD: 1 course (these are compulsory)

**ISCTE**
- 1 MBA: 1 elective course; 1 MD: 2 elective courses

**ISEG**
- 2 degrees; 1 elective per degree; 1 MBA: 2 courses
- 2 MD: 1 course (these are compulsory)

**Fac. Economia – U. Coimbra (Coimbra)**
- 2 degrees, with 2 elective courses per degree; MBA: 1 Course; MD: 1 degree

**ISCTE**
- 1 MBA: 1 elective course; 1 MD: 2 elective courses

**ISCTE**
- 1 MBA: 1 elective course; 1 MD: 2 elective courses

**Católica (Porto)**
- 1 degree; 1 elective per degree; 1 MD

**U. Porto (Porto)**
- 1 degree

There are some private training courses for companies and adults promoted by several consultant companies. The social responsibility has been studied in universities and higher education schools. There are some Masters Dissertations, PhD theses and papers published in scientific reviews and...
conference proceedings, books and other reports. There are some research centres that include CSR in their research areas (Ex. SOCIUS – ISEG, Lisbon).

However, according to our survey, in question 18 - “Do you think Corporate Social Responsibility and Social Entrepreneurship are adequately taught at our universities or Vocational Education and Training institutions?”, 83.9% of respondents (students, faculty, staff and researchers) think that these concepts are not adequately taught in higher education. Taking into account the prevailing opinion of academic community, we consider that this issue should be improved and all HEI should consider in their undergraduate and graduate degrees’ study plans courses (elective or mandatory) related to the topics of ethics, social responsibility and CSR.
Development and Challenges of Social Entrepreneurship in Greece

Historical context: origins and evolution of social enterprises in Greece

The social economy sector in Greece has attained, for many years, only a marginal position. Until 2011, it was poorly institutionalized and – to a large degree - informal. There was a more localised part of the “social economy sector” in Greece, which included initiatives, projects and actors taking shape around less formalised tasks such as: high-demand social services, environmental issues, emerging social problems, unemployment issues, social exclusion of vulnerable groups, etc. These initiatives, however, had limited funding.

Early approaches concerned exclusively people with disabilities, with the emphasis mainly on mental health care. As Ziomas states (Ziomas, 2008) “…The Council Regulation (EEC) 815/84-Programme B provided for an exceptional financial support to Greece in the social field and especially in mental health care. In the early 1990s, under Regulation 815/84, most psychiatric hospitals in Greece began to prepare mentally ill patients for social rehabilitation. In this context, a number of initiatives for the mentally ill were established in the first half of the 1990s. These initiatives took the form of either informal productive sheltered workshops or cooperative therapeutic units…”. At the same time, “civil society” organizations, “urban cooperatives” or “agricultural cooperatives” began to emerge in the form of small-scale productive units.

In 1998, Greek authorities compiled a 10-year National Action Plan, to ensure the continuity of psychiatric reform, covering the period 2001-2010. This integrated Action Programme, the “PSYCHARGOS” Mental Health Programme, aimed at the de-institutionalization and the socio-economic integration of persons with mental health problems. The need for an appropriate legal and institutional framework led to the adoption of article 12 in the Law No 2716 of 1999 which provided for the establishment of Social Cooperatives of Limited Liability.

On a different note, regarding agrotourist cooperatives, organized forms of agrotourism made their first steps at the beginning of 1980s, soon after the country joined the Common Market in 1981. The growth of rural tourism was determined by the national policy and European regulations and laws but without any real or systematic planning. However, more intensive development of rural tourism in Greece started in the 1990s as a private initiative undertaken by individuals (mainly farmers or former farmers) and local residents of the countryside or agro-tourist cooperatives (Aggelopoulos, Kamenidou & Pavloudi, 2009, pp 373). Research revealed that the majority of the women’s cooperatives that still operate in Greece were established in the decade from 1991 to 2000.

Since 2001, the approach to social economy has taken a new turn, following the lead of the EU’s EQUAL Initiative which aimed to tackle discrimination and inequality in the labour market. It was managed by the Ministry of Employment and was used in Greece from 2001 to 2005 (phase A) and 2005 to 2008 (phase B) in order to strengthen social economy and support social entrepreneurship. This was the first effort to systematically promote and support social economy in Greece. However, the main goal of the EQUAL Programme was to help vulnerable and excluded
social groups find their way into the Greek economy rather than develop a 3rd (social) economic sector (OKE, 2013). EQUAL initiatives were the main instrument of social entrepreneurship policy until 2007. The most recent law (4019/2011) was based (mainly) on EQUAL findings and conclusions.

Law No 4019/11 is the most recent law regarding social economy and it establishes the Social Economy Registry. Entities that fall under certain criteria can be registered in the Social Economy Registry. This registration is compulsory if the entity wants to be characterised as a social enterprise. Under the same law, a Social Economy Fund is to be set up with the sole purpose of providing funding to social enterprises that are listed in the Social Economy Registry. Finally, any product from the winding-up of a social enterprise listed in the Registry must be transferred to the Social Economy Fund, in order to be made available again for social enterprise funding. This Fund has not yet been set up, despite the fact that it was to be the main source of social enterprise funding.

The broader social and collective economy in Greece has a long tradition with two main types of cooperatives - agricultural and rural credit cooperatives. The first relevant legislation dates back to 1915. Amendments to the cooperative law in 1930, however, weakened the economic importance of cooperatives, and compromised their autonomy from the state. Perversely enough, legal changes during the post-dictatorship made agricultural cooperatives even more dependent on the political sphere. Their economic role and market share plummeted (market share fell by around 50%). As a result, the number of 2009 cooperatives in Greece fell to less than 6,500 (CICOPA, 2013; Nasioulas 2012, 142-152). 2015 figures published by Cooperatives Europe internal statistics indicate the existence of mere 933 cooperative enterprises – among the lowest in Europe (Cooperatives Europe, 2015). There are 25 cooperative banks, 4 of which operating at national level (there is an Association of Cooperative Banks of Greece, too). Generally, however, Greece has weak traditions with consumer and worker cooperatives. It should be noted that next to social cooperatives - that are covered in this report in depth – worker cooperatives are the other legal form that could claim its rightful place in the social economy.

The social enterprise sector in Greece

Awareness of the concept in society, public attitude, government position

While most initiatives in the social economy sector in Greece were initiated mainly in response to the availability of EU funds, their impact has been rather positive, especially in the provision of social and welfare services (Ziomas, 2008) whose provision by the State has declined in the last decade. Moreover, the role of such initiatives has become even more significant over recent years, given that public social policy spending has been severely limited.

Most (if not all) recent governments have recognised the need to extend the legal framework for the Social Cooperatives, so as to cover various categories of disabled and other disadvantaged individuals (including new groups emerging due to financial difficulties) and gradually cover larger groups. There is a recognized need in Greece to create the appropriate environment and conditions for the development of social economy organisations, as well as better cooperation and coordination between government agencies, local authorities and social enterprises. It has also been recognized that the development of social economy initiatives depends heavily on legislation and the establishment of support structures and appropriate alternative financing mechanisms.
In more recent years, the economic crisis has created a number of new issues to be tackled. The role of social enterprises as a tool for dealing with social and economic challenges facing Greece has come to be discussed among social entrepreneurs, public administration, other social actors and, sometimes, the media. Yet the exchange of ideas, practices and methods on social economy and social enterprises has been limited by the relatively few involved actors, as well as the constrained capacity of the Government to design and manage support programmes for social enterprises. Moreover, the public still views social enterprises as belonging to the non-profit or voluntary sector, or being focused on disadvantaged people.

The numerous grass-roots civil society structures and citizens’ informal initiatives that have emerged as a result of the crisis seem to have played a more active social role than the cooperatives and social enterprises established on the basis of Law 4019/2011 (ICF Consulting Services 2014).

At the same time, there was a need for appropriate typologies for social enterprises / organisations since different kinds of social enterprises might require different kinds of policy intervention. In this context a discussion was initiated on developing a system for classification and monitoring, of the social economy organisations and their activities, an effort that has been partially approached by the creation of the Social Economy Registry.

Greece can now be considered among the countries in which the concept of social enterprise is beginning to take hold. However, there are many misconceptions and half – truths still circulating, with the concept of social economy being regularly misunderstood. Critics (and ones apparently favourably disposed to the social economy at that) argue that “the public image of social economy actors has suffered from bad examples and by complicated, incoherent and unclear legal and administrative frameworks as well as insufficient monitoring and funding schemes” (Nasoulias, cited in CICOPA, 2013, 12). Most actors in the social economy itself agree that the country currently lacks adequate support structures for social enterprise, while social enterprises are looking forward to receive support in the form of EU funding in the current programming period.

Until recently, social economy initiatives were implemented without the context of an institutional environment and with limited or none state support (other than the occasional EU initiatives). Such operations took the form of women’s or farmers’ cooperatives, social cooperatives with limited liability (Koi.S.P.E, Law No 2716/99), accredited entities running activities for people with learning difficulties, cultural associations, and actions taken under the EU EQUAL programme (OKE, 2013).

In recent years, the Greek government began promoting social enterprises and the social economy, on the one hand responding to related EU funding and encouragement from the European Commission and, on the other hand responding to initiatives that have emerged in the effort to cope with the ongoing economic crisis.

Legal framework

In 1999, a legal framework for the creation of social cooperatives with limited liability for people with mental health problems was set up through (Law 2716/99, article 12). These cooperatives, abbreviated Koi.S.P.Es, have the dual status of independent trading companies and official mental health units. In 2011, Law No 4019/11 on the Social Economy and Social Entrepreneurship introduced the Social Cooperative Enterprise as a legal entity. The purpose of this legislative

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85 For results of our survey among researchers, see Greece – Annex 1.
innovation was to increase employment within vulnerable social groups. This law (Article 14) created the Social Economy Registry in the Social Protection Directorate of the Employment Ministry. This constitutes the basic formal structure for launching social enterprises. It was planned that entities in the social economy that are entered in the special Registry may receive funding from the National Entrepreneurship and Development Fund and may benefit from favourable arrangements and incentives (OKE, 2013). Public policy is now at least formally committed to supporting the Greek social economy even if actual developments on the ground and within the regulating environment are slow and even if some formal definition and broader conceptual requirements remain to be clarified (ICF Consulting Services, 2014, 2).

The Social Economy Registry is open to entities that meet the criteria for classification as social enterprises; entry into the registry is optional. The following institutionalised forms of social enterprise exist in Greece:

- Women’s agro-tourist cooperatives (also referred to as women’s agricultural cooperatives) under Law 1541/1985, provided that they meet certain criteria; 
- Limited Liability Social Cooperatives under Law 2716/99, regarding social enterprises for people with mental health problems (Koi.S.P.E.);
- Social Cooperative Enterprises (“Koin.S.Ep.”) under Law 4019/2011. Koin.S.Ep.s are further categorised into three types according to their purpose:
  - Inclusion Koin.S.Ep. are entitled to work for the socio-economic inclusion of persons belonging to “vulnerable groups of the population”;
  - Social Care Koin.S.Ep. are entitled to produce or supply goods or provide social care services (social assistance and health services) to specific groups of the population (elderly, infants, children and people with disabilities or chronic diseases);
  - Koin.S.Ep. of Collective and Productive Purpose are entitled to produce or supply goods or provide services with the objective of meeting “collective needs”. These enterprises are active in the field of promoting local and collective interests, supporting employment, fostering social cohesion and local or regional development. They focus on the production of goods and the supply of services in the sectors of culture, environment, education, exploitation of local products, support of traditional occupations etc.

As welcome as it is, this public policy process has not been able to ensure the actual viability, impact and sustainability of the created social enterprises. Critics have argued that many of the newly registered social cooperative enterprises are in fact NGOs rather than enterprises. The law created its own bureaucratic procedures in order to ensure that Koin.S.Ep.s will meet certain requirements and obligations. Since social enterprises registered in the Social Entrepreneurship Registry would automatically qualify for special financial support and fiscal benefits, control procedures were deemed justified. However, the excessive bureaucracy has led to confusion and has discouraged entrepreneurs from taking advantage of the legislation (ICF Consulting Services, 2014, i). Additionally, due to the severe limitations imposed by the Greek fiscal adjustment

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86 The criteria include: a statutory purpose of social benefit, through the production of goods or the provision of services of collective and social character; priority of individuals and labor over capital; democratic system of decision-making; autonomy in the management of activities; profits utilized primarily on the service of their statutory goals and secondarily for any eventual restricted profit distribution, operation on the principle of sustainable development (Nasoulas, 2012, 155-156).
program, the main funding instrument planned in the new law (Social Economy Fund) was never established and neither have any fiscal privileges been offered to social enterprises. Other provisions of the Law, too, are still not fully implemented, such as the publication of the Koin.S.Ep.s’ implementation reports on the internet, the inter-ministerial committee for social reference contracts (IFC Consulting Services, 2014, 4).

Cooperatives in Greece are part of the broader social economy. Art. 12 of the Greek Constitution recognizes the right of establishing cooperatives. Additional legal regulations include Law 1667 (1986) on civil cooperatives, Law 2810 (2000) and Law 4015 (2011) on agricultural cooperatives. Interestingly, Law 4019/2011ed restricts the scope of the “Social Economy” to the three main organizational forms listed above. It has been criticized by the cooperative movement for overlooking other forms of cooperatives in Greece. CICOPA suggested that the law should have been named “Law on Social Cooperative Enterprises” rather than “law on the Social Economy” (Nasoulias, 2012, 156; CICOPA, 2013, 14, in footnote). Greece cannot be considered to have a law suitable for worker cooperatives (CICOPA, 2013, 19). On a positive note, Greek cooperatives apply strictly the “one member one vote rule” which is the basis of the collective/solidarity economy model.

The most recent development regarding the legal framework for social economy, is a draft law titled “Social and Solidarity Economy and Development of its Agents”. This law draft was put up for public consultation, which was completed at 27 of July 2016. The aim of the law draft is to develop the sector of Social and Solidarity Economy through the creation of a positive environment, which will facilitate the participation of any citizen in productive activities carried out with respect to the people and the environment and are organized by diffusing democracy, equality, solidarity and cooperation practices among the participants and local communities.

In this particular draft “Social and Solidarity Economy” is defined as the total of economic activities that are based on an alternative organizational form of production, distribution, consumption and re-investment centred on the principles of democracy, solidarity, equality and cooperation, as well as the respect for people and the environment.

Agents of Social and Solidarity Economy, which will be certified by their registration to the Social Economy Register, are:

- Social Cooperative Enterprises (Koin.S.Ep.)
- Social Cooperatives of Limited Liability (Koi.S.P.E.)
- Workers Cooperatives

Agricultural Cooperatives, Urban Cooperatives as well as any other person or legal entity fulfilling the criteria set by the new law can also be considered an agent of Social and Solidarity Economy.

Key stakeholders and initiatives

According to Law 4019/2011 the Ministry of Labour, Social Security and Welfare is “responsible for designing, coordinating, monitoring and evaluating all necessary policies and initiatives to develop and strengthen the social economy.” It launched two initiatives to develop a policy framework and action plan for the development of social enterprises.

- Under EU guidance, the Greek Ministry for Labour, Social Security and Welfare has started working on a comprehensive strategy and action plan to develop a favourable ecosystem for
the social economy and social entrepreneurship (IFC Consulting Services 2014, 3, CICOPA, 2013, 12-14)

- A Strategic Plan for the Development of Social Entrepreneurship was published in 2013. The plan presents a number of priority axes to support the development of social enterprise specifically targeted at Koin.S.Eps (though not the broader social economy):
  - support system social enterprises;
  - start-up capital;
  - financial aid for the operations of social enterprises;
  - favourable environment for the creation of social enterprises;
  - capacity building for social entrepreneurs;
  - information campaign;
  - transnational cooperation;
  - an observatory for mapping Social enterprises in Greece ((IFC Consulting Services, 2014)

Little has been done on the ground so far. The Network of Project Managers in Greece (EEDE) has been contracted to establish a central technical support structure for the social enterprise ecosystem (the so-called central mechanism). Its tasks include development of training tools and programmes, mentoring guides, support in awareness raising campaigns in the dissemination of relevant information and transnational networking. Call for tenders for regional level support mechanisms have also been published and are pending evaluation (IFC Consulting Services, 3).

Recent data on social enterprises

Looking at the most recent data provided by the relevant Secretariat of the Ministry of Employment, a total of 786 social enterprises have been registered, with another 24 at the final stages of registration. 221 of those have since cancelled their registration. Out of the 786 social enterprises, 758 were established under Law 4019/2011 in the form of Koin.S.Ep.

Table: New registrations and cancelled registrations of social enterprises (2012-2015)

<table>
<thead>
<tr>
<th>Year</th>
<th>New registrations</th>
<th>Cancelled Registrations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>116</td>
<td>29</td>
</tr>
<tr>
<td>2013</td>
<td>277</td>
<td>89</td>
</tr>
<tr>
<td>2014</td>
<td>314</td>
<td>100</td>
</tr>
<tr>
<td>2015</td>
<td>73</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Social Economy Registry (2015), data processed by RUITEPOD - UTH (2015)

The large number of new registrations in 2013 and 2014 can be attributed to the commencement of the TOPSA and TOPEKO programmes, which to a large degree were targeted at creating new social enterprises in the form of Koin.S.ep (see Section” Public support schemes targeting social enterprises). The dispersion of social enterprises at regional level can be seen in the map below.
Source: Social Economy Registry (2015), data processed by RUITEPOD - UTH (2015)
Within the broader social economy, a handful of worker cooperatives have been established since 2008 in large cities. For example, Pagkaki, Syggrouomeno and European Village were created in Athens; Syn Allois is an importer and seller of fair trade goods; Syn Apeiro is a jewellery store, etc. (CICOPA, 2013).

**Support for social enterprise in Greece**

**Public support schemes targeting social enterprises**

The only implemented public support schemes, so far, are the TOPSA and TOPEKO initiatives. In the framework of these initiatives (their total budget is 120.000.000€) the creation of social enterprises by unemployed persons or persons from vulnerable social groups has been supported through training and counselling. The two programmes aim to promote the employment of unemployed people (mainly) by social cooperative enterprises (Koin.S.Eps). However, there is much discussion about the effectiveness of the funding schemes, since even though they led to the creation of a large number of social enterprises, their fiscal activities are much lower than expected.

Social economy and support of social enterprises falls under the responsibility of the Greek Regions (Partnership Agreement (NSRF) 2014-2020) and can be adapted and integrated in their regional strategic plans for promoting social inclusion and combating poverty and discrimination. It is apparent that the support and promotion of social economy will be achieved mainly through EU funds (IFC Consulting Services 2014).

**Other support schemes, initiatives and networks targeting social enterprises**

As stated in the major report by IFC Consulting Services (2014), civil society initiatives and social enterprise support organisations are promoting and supporting social entrepreneurs in Greece through networking and sharing of resources. Examples include:

- The international initiative “IMPACT HUB” in Athens provides social entrepreneurs with a space to work and meet;
- The number of conferences to showcase good practices and to mobilise people to engage in social entrepreneurship is increasing;
- Greek social enterprises are starting to join European social economy platforms or networks;
- The British Council tries to become a key service provider and transfer UK approaches and experience to Greek social entrepreneurs; it has co-organised relevant events.
- Cooperatives Europe and the KAPA Initiative promote the cooperative movement in Greece. For example, in 2015 Cooperatives Europe organized a workshop focused on cooperative development in Greece bringing together Greek cooperatives and government representatives in order, inter alia, to advance the idea of new cooperative legislation in Greece.
- A number of support organisations have teamed up to organize their autumn 2014 events under the common umbrella of the Greek Social Entrepreneurship Forum 2014. In 2015, the Social Entrepreneurship Forum 2015 was realised. Also, a number of Regional Entrepreneurship Forums were organised (3 in total) with the most recent one taking place in the city of Kozani in June 2016.
- The Social Economy Institute, established in 2012, is among the leading organisations securing European funds for social economy in Greece, with emphasis in social innovation.
- Recently, the Ashoka International Non-profit Organisation opened up a charter in Greece, making it one of the 40 countries Ashoka has offices in.
- An initiative launched in 2013 by Koin.S.Ep.s, established within the framework of Law 4019/2011 to develop an informal network and mutual support mechanism for social enterprises seems to have stopped operating in 2014.
- Most Limited Liability Social Cooperatives (Koi.S.P.E.) on mental health issues cooperate in the framework of the Panhellenic Federation of Social Cooperatives.

There are no accreditation schemes, marks, or labels of certification for social enterprises in Greece.

**Financial solutions for social enterprises in Greece**

A social investment market does not exist in Greece and neither do financial intermediaries nor instruments intended for social enterprises. Supply of finance to enterprises has dried up during the economic crisis, meaning that access of mainstream SMEs to finance is extremely difficult nowadays, let alone for social enterprises (IFC Consulting Services, 2014, 8). Social enterprises have had great difficulty accessing finance from commercial banks and from cooperative banks. Cooperative enterprises (Koin.S.Ep.) are entitled to receive subsidies under active labour market support schemes, promoted by the Greek Public Employment Service (OAED), as well as under the TOPSA and TOPEKO schemes mentioned above. However, Koi.S.P.E. and Koin.S.Ep. are not eligible for most of the mainstream start-up and SME support schemes under the Ministry of Development, which limits their access to operational and venture capital. Under these conditions, social enterprises are let to finance themselves mainly through public grants or contracts, donations, or from their own admittedly not particularly profitable income generating activities. Social enterprises in Greece do have a demand for finance and would benefit from access both to mainstream financing from commercial banks, and even more from access to special instruments designed specifically for their needs.
Opportunities and barriers for social enterprise in Greece

Driving forces for the development of social enterprise sector

Social policy in Greece has played a residual role until very recently, mainly filling the gaps left by the family in the provision and distribution of welfare. However, in the context of the economic downturn and the restrictive macroeconomic policies in the country, public spending cuts in the area of social welfare creates excess demand for such services. Health and personal social services (child care, care for the elderly) and education have faced funding cuts. The excess demand is increasingly being met by the private sector. It is not so much transfer from the public to the private sector, or replacement, that can be observed, but rather the entry of private sector bodies, both non-profit and for-profit, to meet demand unsatisfied by the public sector. In sum, the urgent and numerous social needs unsatisfied by the public or private sector bodies, the need for higher quality social services, the limited employment opportunities in the period of economic crisis, the high level of unemployment and social exclusion and the need for new approaches to job creation and integration into the labour market, are the main driving forces for the further support and development of the social enterprise sector in Greece.

Main barriers for the development of social enterprise sector

According to existing studies, as well as the experience from the implementation of the EQUAL programme, the main problems and barriers that prevent the development of Greek Social Economy and hinder the operation of social enterprises are the following:

- Lack of favourable regulatory and support framework for the Social Economy as a whole and for the social enterprise sector in particular;

- Lack of support structure and counselling services concerning the everyday operation of Social Economy organizations/enterprises;

- Insufficient funding and lack of appropriate alternative financial tools for Social Economy activities and social enterprises;

- Lack of specialized and experienced personnel and lack of adequate educational and training tools;

- Insufficient laws and regulations encouraging and promoting disabled persons to engage in Social Economy activities;

- Insufficient networking and representation of the Social Economy sector and social enterprises;

- Hindrances in setting up cooperation between Social Economy enterprises and the public sector.

In recent years, right in the middle of the economic crisis, social economy in Greece has taken its first substantial steps, starting with the development of a formal legal framework (Law 4019/11). These steps seem to be slow for the time being, with limited support structures in place and limited funding tools, but it seems that a favourable environment is being formed. Social economy ventures have limited visibility and social entrepreneurship is not viewed as traditional entrepreneurship in terms of profit creation, added value, innovation, job creation etc., keeping social economy mainly in the realm of marginalization and welfare.
Some recommendations to overcome the aforementioned problems and for further supporting Social Economy in Greece, include:

- Design and implementation of appropriate funding tools:
  - for start-ups;
  - for supporting and upgrading existing social enterprises.
- Operation of the Social Economy Fund as described by Law 4019/11
- Improvement of legal and regulatory framework, mainly in respect to:
  - providing tax incentives to social enterprises;
  - increasing the range of agents / actors that officially belong to the social economy sector.
- Integration of relevant EU Directives and Guidelines (e.g European Social Entrepreneurship Funds)
- Establishment and operation of a Social Economy Observatory at regional and national level
- Development and operation of regional support structures for Social Entrepreneurship, which will implement networking, mentoring, education and training activities at a regional level
- Creation of Social Entrepreneurship incubators and accelerators
- Development of a framework for initiating and processing win – win cooperation schemes with the participation of the public, private and social sector
- Funding of R&D in relevant fields
- Planning of Programmes for the support of Social Entrepreneurship in the framework of NSRF 2014-2020, taking under consideration the results of implemented relevant programmes (EQUAL, TOPSA, TOPEKO) and evolving them in order to increase effectiveness and impact.

Social enterprises in Greece received a boost in recent years – one can even say that they have become trendy - thanks to the growing pressure on civil society initiatives to increase self-financing, unemployment growth and lack of opportunities for many people to find a job, and last but not least, the legal framework introduced by Law no. 4019/2011, establishing the legal form of a social cooperative enterprise.

Still, social enterprises are not part of the economic agenda for long-term structural change and economic development in Greece and are not included (so far) in long term economic development planning. At the same time their potential for creating sustainable economic structures, strengthening social cohesion and driving innovation is undervalued or even missed completely. As a result the role of social enterprises as agents for economic growth and a sustainable Greek economy is extremely limited, but it is expected that their social, economic and environmental impact can be multiplied through organised action to speed up and spread networking and learning, cooperating and clustering, financing and scaling up.
The current situation seems to be rather challenging for social enterprises, due to the lack of access to finance, and support for social entrepreneurship. However, the outlook can be said to be positive rather than negative, with activity on the side of social enterprises themselves and pressure building up due to lack of other viable alternatives.

EU funding has played and will continue to play a key role in the development of social entrepreneurship in Greece. A lot is expected from the anticipated development of support structures especially at regional level, and the development of funding instruments in the next programming period. Until then, many of the social enterprises that have been set up are surviving in the difficult economic climate and gaining experience in how to help themselves and other social enterprises to be successful in the years to come.

Social enterprise formats that existed before 2011, such as the structures for the employment of mental health issues (Koi.S.P.E.) and women’s agricultural cooperatives are generally well established and have also proven resilient but they may be facing serious problems under the new law on Agricultural cooperatives and may face failure, if they are not adequately supported.

**Promotion of social entrepreneurship in education in Greece**

Regarding the appearance of social entrepreneurship and social economy in education, especially in higher education, some small scale activities can be found:

- There are some HEIs and Technological Education Institutes currently involved in teaching and research of social economy in Greece;

- Social entrepreneurship / social economy are taught in the form of specific courses in a number of Universities. Until recently, a “Social and Solidarity Economy” programme existed within the Technological Educational Institute of Messolonghi. This has now been merged with the Department of Applied Informatics in Management and Finance of the same institution, since there was a merging under the recently established TEI of Western Greece. A number of courses exist, mainly in Economic Departments. Some of the courses taught include:

  - *NGO and Social Enterprise Management* (Department of Business Administration, University of Patras)
  - *Social Economics* (Department of Economics, University of Crete)
  - *Economics of Cooperative Enterprises* (Department of Economics, National & Kapodistrian University of Athens)
  - *Social Entrepreneurship* (Department of Economics, University of Piraeus)

- Social economy issues are studied in many cases, mostly integrated in more generalized entrepreneurship courses.

- A large number of academic institutions have published social economy guides and textbooks and are participating in some sort of social entrepreneurship support activity (from TOPSA and TOPEKO programmes to self-sustained collaboration schemes).

**Involvement of Business in Corporate Social Responsibility in Greece**
Historical context: origins and evolution of corporate social responsibility in Greece

In recent years, given the economic recession, more and more enterprises – particularly the large ones - in Greece understand the important, multidimensional aspect of their social role and try to integrate CSR into their strategies. Generally, companies that implement CSR have managed to improve their reputation within society. Despite the upward trend, however, the majority of Greek firms have a limited awareness of CSR and minimal engagement in relevant activities (Skouloudis et. al., 2011).

The private sector as the primary mover of the Greek economy is in addition now passing through a difficult period, and the solidity and importance of the CSR concept is shaken. Generally, the economic downturn threatens firm survival and impacts negatively on companies’ social projects. While there is some evidence that Greek firms leading in CSR have not let declining economic results impact negatively on their CSR and have instead become more efficient in social projects (Kavoura and Sahinidis 2015), the overall impact on business involvement with social problems has been negative. Companies that do not have integrated CSR into all the operational phases as part of their corporate strategy and keep on implementing individual environmental actions, will not be able to achieve a real impact of CSR. As a result, a negative redirection of potential investors or managers of funds away from these companies should appear.

Prevailing definition and practice of CSR in Greece

The existing legislation in Greece does not require enterprises to adopt sustainability reporting nor requires the use of a standard. The Greek state thus sustains an arms-length approach to CSR by not adopting any regulatory framework. CSR is regarded as a voluntary activity of business. A National CSR Strategy (apparently aimed at promotion of CSR rather than regulating the field) was drafted only in 2014 its implementation is still pending. Many companies with active CSR strategies appear to have decided on their own to be evaluated under international standards on CSR. As noted by Skouloudis, A., Evangelinos, K., Kourmousis, F. (2009), the government has retained the right to policy making in the sustainable development field, with regional and local authorities having mainly a consultative role. Intermediaries, NGOs, and corporations have rarely been consulted in the formation and execution of environmental policy, thus reinforcing its regulatory and mandatory nature. It is possible to therefore conclude that the administrative approach is in favour of command and control centralised strategies rather than the development of self-regulation on environmental policy-making issues through proactive actions on the part of companies.

It is networks and initiatives outside the public authorities are mainly responsible for encouraging Greek companies to practice and report on CSR.

- **Greek Business Council for Sustainable Development**
  
  The BCSD (http://www.sevbcsd.org.gr/) was launched in 2008. It is a member of the WBCSD’s regional network. The 31 founding members have signed a Code for Sustainable Development.

- **The Global Compact Network Hellas**
  
  Current priorities of the Hellenic Network for CSR include the collection of data on Greek businesses involvement in CSR; provision of support to business practitioners, especially SMEs;
support and promotion of the ‘European Alliance for Corporate Social Responsibility’, collaboration with public sector organizations, joint projects between its members for the management of urgent/sudden social or environmental challenges (Skouloudis et. al., 2011, 210).

Launched in May 2008, by initiative of the Hellenic Network for CSR (partner of the European CSR network), the Global Compact Network Hellas currently comprises of over 70 members. See Greece – Annex 3 for a list of companies publishing their social reports on an annual basis, starting from 2009. The ways in which each company publishes its position on the issue of social responsibility and actions implemented vary according to the sector to which it belongs, type of actions, etc.

Below are some indicative reporting models:

- Social Report
- Thematic Report
- Code of conduct
- Internet information
- Consultation with stakeholders (stakeholders)
- Internal communications
- Standards and product labels
- Awards and Events
- Cause related marketing with social purpose
- Press releases on the Internet

While Greek companies are newcomers to CSR reporting in a global perspective, several typical practices are included in Greece – Annex 2.

Involvement of Greek business in social issues and sustainable development

The main findings of ICAP research (ICAP, 2014), which was based on a sample of 93 companies from various sectors of the Greek economy, are the following:

- Despite understanding the importance of CSR, the majority of the sampled companies (53.6%) consider that the degree of implementation of CSR practices by all Greek businesses, remains at moderate levels.

- The activities of the companies related to society cover the largest share (31.1% in 2014) in the overall budget for CSR activities. Large companies, which are the pillar of support and development of the Greek economy, seem to understand their significant role in promoting sustainability. The actions on human resources, on environment and the market, cover the remaining total budget (28.9%, 23.9% and 16.1%).

- Some of the key CSR practices are: a) provision of equal opportunities to all employees (87.5%), b) possibilities of education or improving staff skills (81.9%), c) implementation of quality-assurance management system of products (81.7%), d) internal recycling programs (76.4%), e) additional medical coverage to staff (75%), f) donations and sponsorships in cash and/or in kind (73.6%) and, g) control of the consumed electric energy and action to reduce it (68.6%).

- About 91.2% of the sampled companies rated as "very" important the contribution to the community.

- Activities of CSR communication mechanisms within the enterprise (internally) as email and Intranet, apply to the 80.7% and 73.1% of the sampled companies. As regards the external
environment of the enterprise, the Internet is considered the most popular mechanism used by 77.8% of companies. A remarkable percentage of the sampled companies (42.2%) publishes annual CSR reports.

- Finally, the financial costs (26.8%) are considered to be the biggest deterrent factor for CSR implementation by the Greek companies, followed by a lack of information (22.0%) and specialized partners (17.6%).

Similar conclusions are reached in the survey of Skouloudis, A., Evangelinos, K., Kourmousis, F. (2009). Reporting entities tend to disclose more performance indicators pertaining to their internally developed labour practices compared to other aspects of social performance and environmental management. A possible explanation for this is the fact that the majority of employee-related information is already available from the human resources department of each organization, while other aspects related to health and safety are often required by national legislation.

An earlier research by Fafaliou et al. (2006) assessed CSR awareness in Greek SMEs. It concluded that CSR was limited to a small number of short sea shipping providers, which were either subsidiaries of international conglomerates or were controlled by entrepreneurs that are personally aware of and committed to CSR. CSR practices, however, were related to the companies’ internal operations and the perceived benefits from CSR practices were mainly limited to improved employee job satisfaction and customer loyalty (Skouloudis et. al., 2011). A survey performed by the New Technologies Laboratory in Communication, Education and the Mass Media (2006) confirmed these general findings and further noted that SMEs associated the development of CSR activities with the growth of their turnover and other, indirect, benefits – an outlook that suggests a tendency to connect CSR to marketing and promotional practices rather than to a strategic element of their core business activities (cited in Skouloudis et. al., 2011, 217).

**Contextual factors and conditions affecting CSR in Greece**

According to the 2003 “Opinion on the CSR” of the Social Economic Committee of Greece (SEC), barriers for the successful implementation of CSR practices in Greece include the difficulty of complying with the law, the small size of Greek companies (they are frequently family-owned and have no developed business culture), as well as the fact that the Greek state has not actively raised awareness among companies of the advantages of CSR (cited in Metaxas and Tsavdaridou, 2012). The Greek private sector exhibits a form of duality that is evident in some other EU countries: a large number of SMEs focusing exclusively on the pursuit of short-term profit (and having insufficient expertise, time, resources for CSR), coexisting with a dynamic cluster of multinational subsidiaries and foreign corporations (Skouloudis et. al., 2011, 217). In addition, most Greek companies are characterized by a highly centralized decision-making process, while management (i.e. the only potential force of innovation) tends to be resistant to change. Additional barriers to the development of CSR are the bureaucratic, centralized public sector and the spread of corruption and clientelism.

CSR research conducted by the Center for Sustainability (CSE) (http://www.econews.gr/2014/11/25/csr-kostos-cse119019), too, suggested some key obstacles to integration or further development of CSR in Greek companies. The first place (50%) belongs to the lack of quantitative measurement of results and the general uncertainty about the economic
benefits of CSR actions. 35% of the interviewed noted obstacles that arose from the operation, politics and the general situation of the company (staff shortages, incentives, money, time, support, etc.). Also important was the lack of a legislative framework (6%). This research was conducted among multinationals (21%), large national (60%) and SMEs (19%); participating companies were mainly active in the field of energy (12%), financial services (12%), industry (12%), food / beverages (10%) and telecommunications (10%).

In recent years, lack of environmental awareness and socially irresponsible decision-making in a crucial number of organizations has created a crisis that is harming those that have not caused it. To inverse this phenomenon and to prevent its repetition, a better definition and practice of sustainable development, non-financial information and reporting is needed within the Greek business world.

Common legislation on reporting and a clear regulatory framework need to be established to meet the need for greater public trust in companies, a key element for economic stabilization. A framework should bind all or the vast majority of companies, who should be required to report on the important environmental, social and other non-financial aspects of their operation that affect sustainable development. Such information should be clear, precise, verifiable and should enable comparisons across countries, sectors and companies national and worldwide. It is understandable that the process of proposing and adopting legislation on sustainable reporting will impose additional costs company budgets, due to the need for information collection, analysis, staff training, monitoring, etc. However, the fear of increased costs should not shrink the overall effort to create a common European framework in the fields of sustainable development and integrated reporting, as sustainable (long-term) benefits overlap financial (short-term) costs. The idea of “strategic cost management” (the management of costs associated with the implementation of a CSR strategy) should be fully adopted in Greece, through focusing on best performance measures, customer profitability and value-creation reporting.

**CSR in Greek media**

CSR in Greek Media is treated mainly as a marketing asset. There is little mention of CSR activities on TV or radio except in the form of advertisements. These advertisements generally concern the launching of a new CSR programme or a major event (like tree-planting, bazaar for charity, etc.). CSR activities are mentioned more often in the local press publications but nation-wide papers and magazines also tend to have CSR related articles. Once a year, when (both national and international) CSR awards are announced, many weekly publications (papers and magazines) devote a section to companies that have received awards. Often, with the opportunity of the award announcements, special publications devoted to CSR or specialised inserts in specialised economic publications in Greece are released. Exceptions to the above are CSR activities carried out by media companies (such as newspapers and TV stations). These activities receive much more attention and publicity, since the cost of publicity is significantly lower for that kind of companies. In recent years, social media have started to play an increasingly important role in CSR in Greece. Companies aim to take full advantage of the social medias’ broad targeting and low cost and can easily incorporate CSR information into other marketing strategies.
**Education and training in the CSR field in Greece**

CSR in education and training is not generally treated as an autonomous subject, but almost exclusively as a specialised part of business administration studies. In that context almost all Technological Education Institutes have CSR courses in their Business Administration Schools (both at undergraduate and post graduate level). Examples include:

- TEI of Serres: Corporate Social Responsibility and Ethics
- TEI of Eastern Macedonia and Thrace: Corporate Social Responsibility
- TEI of Western Macedonia: Corporate Social Responsibility
- TEI of Athens: Corporate Governance and CSR
- TEI of Western Greece: Business Ethics and CSR
- TEI of Kavala: Corporate Social Responsibility

Also, all Schools and Departments of Economics have incorporated CSR in their curricula, either as specialized courses or as part of broader course subjects. There are no post graduate programmes in CSR, but post graduate programmes in economics and business administration include CSR courses. Training in CSR is very limited and mostly consists of specialized (usually short duration) seminars aimed at corporate executives.
Development and Challenges of Social Entrepreneurship in Turkey

Historical context: origins and evolution of social enterprises in Turkey

Although it has been attracting considerable global attention during the last decades, social entrepreneurship is still a relatively new concept in Turkey. Since the concept might provide a viable mechanism of dealing with the growing problems of developing countries, there is a strong need for providing a deeper understanding on how the concept is perceived in general and how this perception might be improved within the structural conditions of Turkey.

The social entrepreneurship concept has originated in the developed countries such as the United States, Canada, and Switzerland but fits well for the problems of developing countries; indeed, many of the cases that prompted the theoretical treatment of the concept come from developing countries. Despite its longstanding membership in the Organization for Economic Co-operation and Development (OECD), United Nations (UN), and commitment to be a member of European Union (EU), Turkey has also struggled with numerous problems. Due to its late modernization and industrialization process since 1923 when it was declared a Republic, Turkey has only partly achieved its national development objectives and is still counted as a developing country among the OECD countries. After following a state-led development model for several decades, the country has turned its economic system from an inward-oriented model into a liberal policy model implementing a privatization and deregulation program since the beginning of the 1980s. This transformation of the economic system has not only resulted in economic problems such as inflation, unemployment, or budget deficit, but also affected the political, social, and cultural aspects within the country.

It is clear that the mismanagement of the political and economic system for decades causes various economic, social, and environmental problems in Turkey. In line with the economic problems, Turkey has some significant problems in the areas of employment, poverty, income distribution, gender equality etc., as well as environmental degradation or urbanization. Therefore, when fighting against such diverse problems, the society urgently needs a comprehensive collaboration among public, private, and non-governmental sectors. As a concept which integrates the corporate attention and non-governmental concerns towards sustainability issues, social entrepreneurship can provide a significant tool for the solutions of such problems in a developing country context.

Despite the existence of philanthropic activities through the foundation mechanism during the Ottoman period and later on the foundations of family-owned holding companies (diversified conglomerates) since the 1970s, it was not local traditions that are mostly responsible for the emergence of ‘social business’; the corporate response towards social and environmental problems

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has been initiated by multinational companies in the 1990s\textsuperscript{89}. These CSR activities, which are mainly built on the above-mentioned philanthropic tradition of country, have captured the attention of many Turkish companies during the last decades and they developed various projects for the disadvantaged groups in society or natural environment. On the other hand, in spite of the interventions against the organized civil society during the military coup in 1980, the non-governmental organizations (NGOs) have also strengthened during the 2000s and focused more on social and environmental problems \textsuperscript{90}.

This heightened ‘responsibility’ awareness of businesses and NGOs in Turkey during the last decades manifests itself not only in their active involvement in CSR projects, but also through their interest in the concepts of social entrepreneurship\textsuperscript{91} and corporate social entrepreneurship activities\textsuperscript{92}. However, social entrepreneurship is still a new concept in Turkey.

**The social enterprise sector in Turkey**

In Turkey, social entrepreneurship is frequently viewed as an extension of CSR. For instance, the results of a relatively early survey, which was conducted in 1998 on a sample of owners and managers of holding companies, business associations, and chambers of industry in Turkey, revealed that social entrepreneurship was a weak dimension of socially responsible business practices in Turkey. Overall, CSR concerns of the respondents (including the famous businessmen of their time such as Sakip Sabancı, Vehbi Koc, Albert Hakko, Jak Kamhi) focused on human resources development through education, training, and health support (45%), economic development (45%), environmental sustainability (7%), and social cohesion including fight against crime, contribution to NGOs, cultural diversity, and social entrepreneurship (3%)\textsuperscript{93}. A recent study on the social alliances between business and social enterprises in Turkey shows that both types of organizations start to recognize the importance of social involvement - but with different motives; while business enterprises create such social alliances to build community capacity, social enterprises emphasize the *joint value creation*\textsuperscript{94} Therefore, it seems that social entrepreneurship has been on the agenda of both non-governmental and business sectors, despite the lack of consensus on why such enterprises should exist.

**Legal framework for social entrepreneurship**

In spite of an explicit need, there is a lack of legal regulation concerning social entrepreneurship in Turkey. In addition, there is no legal and officially recognized definition of “social business”. As a result, all of the related initiatives are “ad hoc” or implemented by various legal entities such as charities and associations, cooperatives, non-profit companies and business initiatives. They are


involved in the process to implement and foster social entrepreneurship, although there is no consolidative legal and political structure for them. This fact creates several problems in terms of establishment of these initiatives and the sustainability of the established ones for the purposes of being a social business. Due to these legal deficiencies, initiatives might be classified not under the umbrella term of “social entrepreneurship”, but depending on their legal entities. In this respect, commercial enterprises of charities and associations, cooperatives and other businesses are the major actors. It is worth noting that non-profit corporations have not been an actor in the process yet in Turkey since there is no any status of “non-profit corporation”.

Foundations and associations

According to the body of current Turkish Law, there is no legal description of civil society organizations; therefore, ‘non-governmental organization’ means foundations and associations. Although they are audited by different public bodies, and also have different regulations, foundations and associations show similarity in practice. Each foundation and association is established for the purpose of implementing the activities described in its formal documents. Thus, not all of the foundations and associations can be described as social enterprises. The foundations and associations which are organized by social enterprises have to be a commercial enterprise. Also, foundations and associations can be a partner to an enterprise or establish a commercial enterprise.

There are some special statutes described as “tax immunity” for foundations and “public welfare” for associations. Those statutes are given to very few foundation and associations. Those statutes do not provide important privileges; they only ensure tax exception to the donators. Tax exception is legally not possible for cooperatives and commercial enterprises.

Cooperatives

Cooperatives are the other legal entities operating in the Turkish social economy. The Cooperatives Law defines the cooperative as “an enterprise or organization that is owned or managed jointly by those who use its facilities or services and those who provide their needs by mutual help, cooperation and warranty”.

The cooperative movement in Turkey has a long history. It has also received strong state support at least starting from the establishment of the Republic, when cooperatives began to be considered as one of the ways of modernizing Turkish society and its then predominantly rural economy. The favourable legal and social environment for cooperatives development created during the formative years of the Republic (between 1926 and 1935) encouraged the proliferation of agricultural cooperatives. More recently, during the Planned Period of National Development (1962–today) the state has been developing various projects and models to promote cooperatives. The Law on Cooperatives (No. 1163) that became effective in 1969 led to a remarkable growth in the number of cooperatives; the number grew from 670 in the period 1941-1968 to 7,080 during 1969 – 1979 (Okan and Okan, 2013, pp. 11-12). This law has been amended many times (1971, 1981, 1987, 1988, 1997, 2001 and 2004). According to internal statistical data by Cooperatives Europe, in 2015 there are nearly 35,000 cooperatives in Turkey with over 6 million members.

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96 Additional legislation regulating the economic activities of cooperatives: Law on Agricultural Credit Cooperatives and Associations (No.1581) and Law on Agricultural Sales Cooperatives and Associations (No. 4572).
(Turkey is the second country in Europe in terms of number of cooperatives, after Italy, at least according to Cooperatives Europe internal members’ calculations) (Cooperatives Europe, 2015).

Despite the impressive size of this collective economy and the success of some cooperatives, the overall evaluation of its impact is far from positive. The situation is compounded by the weak evaluation and monitoring process on the part of public authorities which makes it difficult to assess the actual economic health of many cooperatives. The weaknesses, which are especially common for agricultural development cooperatives (this type includes various village cooperatives specialized in specific areas), include: poor management and governance (including high incidence of politically motivated selection of Boards of Directors members), lack of training and awareness (in addition, existing training schemes neglect the social cohesion issues of cooperative work and focus solely on), weak financial status and financial management capacity, poor or no cooperation among cooperatives, conflicts among members, and complex legal framework (coupled with frequently prohibitively high prices of consultancy services, at least for the smaller cooperatives) (Okan and Okan, 2013, pp. 51-54; Mulayim, 1998). Turkish cooperatives used to operate under closed, protected markets marked by a paternalistic state for about 60 years. As Turkey introduced structural adjustment and stabilization measures in 2000, protection was removed and cooperatives had to face stiff competition among themselves and between the cooperative sector and the commercial enterprises (Okan and Okan, 2013, 53-54). As a result, during the post 2000 period many cooperatives went out of business. A National Cooperative Strategy and Action Plan 2012-2016 (Ministry of Customs and Trade, 2013) is in force until 2016. Among other measures, this plan foresees support for strengthening cooperatives’ capital structure and access to finance and credit, and enhancing their corporate and professional management capacity.

All in all, however, cooperatives fail to play an adequate economic and social role in Turkey. In fact, from the point of view of this report, their social impact is as questionable as their autonomy (from the state) and their economic viability. Moreover, cooperatives are based on membership, and the main purpose of the cooperatives is to achieve economic benefit to their members. Since the social cooperatives are not defined separately from commercial cooperatives in the body of the current law, there are some problems and criticisms in practice. The criticisms are: 1) high capital share, 2) no tax immunity, and 3) no tax discount. The sheer size of the cooperative economy suggests that it does play a role of a “social economy”. Yet, without some legislative clarity, reliable research and statistic and social impact measurement, it remains unclear what size of the cooperative economy is actually playing a “social economy” role.

With these caveats in mind, we would still suggest that in Turkey, there are a lot of cooperatives working with social entrepreneurship models. Those social entrepreneurship models are the organizations that bring together small producers (smallholders, micro and small-scale entrepreneurs, small businesses outside metropolitan areas) who, due to production and marketing deficiencies related to size, do not have ability to survive on the market on their own. Such cooperatives are effective employment tools and source of income in developing regions. Women’s cooperatives are also frequently viewed as the outgrowth of a bottom-to-top movement and as a hotbed of current or potential social enterprises. Regarding cooperative membership, Turkish laws are gender neutral with regard to membership in cooperatives. In practice, however, the ratio of women in total cooperative membership is very low. In response, the Turkish government started to promote cooperatives among women, especially in rural areas. The support programme includes training and start-up grants. In 2013, the government also announced positive
discrimination measures for cooperatives formed exclusively by women, including exemption from corporate tax and duties, membership fee and notary fees, as well as affordable credit.

Support for Social Enterprise in Turkey
The common opinion concerning the legal and financial basis of social entrepreneurship in Turkey is that the structure and support mechanisms are rather primitive in contrast with the other European countries. Furthermore, there is no structured state policy as seen in the examples of several European countries. In addition, the awareness on the possible contributions of social businesses to employment and economy has not been developed yet both in society and at the state level.

Opportunities and barriers for social enterprise in Turkey
The lack of adequate legislation pertaining to the operation of social enterprises creates a situation where social enterprises are established as associations, foundations, cooperatives or companies, and thus they operate in structures that do not necessarily suit their functions and objectives. While it can be argued that this is the case in most EU countries and should not per se hinder the development of the sector, in this situation social enterprises do not receive targeted public support to ensure their financial sustainability or their ability to withstand the competitive pressures on the market. The low level of awareness, combined with the lack of legal definition and status, brings problems for generating enough support mechanisms for the organizations that have been involved or intended to be involved in the process. This fact reduces the number of initiatives by bereaving related stakeholders from the required encouragement both financially and also at policy making level. For instance, there are some privileges for the charities and associations in Turkey - by virtue of a “public interest” status for associations, and tax exemption for charities. However, as emphasized by the “Policy Report for Strengthening Legal and Financial Structure of Social Enterprises in Turkey” that was prepared by TUSEV and British Council, these statuses are special to only associations and charities and have been delivered by the decision of Turkish Council of Ministers as a result of difficult processes and to a very limited number of charities and associations (TUSEV, 2012). According to the 5253 Law of Associations, Article 27, these statuses have been delivered following the opinion of the Ministry of Finance and other related ministries; and by the decision of Council of Ministers. It is notable that the number of associations that obtained the status of “public interest” is around 400, although the number of associations in Turkey as of 2014 was around 90,000.

Some focused (if limited) support for social entrepreneurship in Turkey is provided by Ashoka Turkey, which annually supports a few leading social entrepreneurs from the country through its three-year International Fellowship programme and visibility events in Istanbul. Currently, 35 Ashoka Fellows are supported in their work on human rights, economic development, environment, health, education, citizen participation and innovative social work involving vulnerable social groups (homeless children, people with disabilities, etc.). Ashoka Turkey has also included three Turkish schools in its Changemaker Schools programme. The programme is currently identifying, supporting and connecting schools around the world that cultivate their students as changemakers. The innovative Hizlan Farkyarat programme implemented by Ashoka Turkey and SAP Turkey supports the projects of young social entrepreneurs (aged 18-30) who
empower disadvantaged young people in Turkey. It is a specially designed 12 months program focused on capacity building, training and mentoring. Notably, this programme also pays attention to the issue of measuring social impact, an issue which is severely underdeveloped in Turkey (http://turkey.ashoka.org/). The British Council, too, is known for supporting research and organizing awareness raising activities on social entrepreneurship in Turkey.

**Promotion of social entrepreneurship in education in Turkey**

Social entrepreneurship is rarely taught in universities in Turkey. There is an elective course entitled “Social Innovation and Entrepreneurship” in School of Management in Sabanci University. This course aims to enable students to develop an understanding and awareness of the concepts, opportunities and challenges of social entrepreneurship, to appreciate the distinctions between private sector, philanthropy (non-profit sector) and social entrepreneurship. The topic of social innovation is covered, too. The course is intended for students keen on developing a career path in social-impact driven business or creating broad-scale value for multiple stakeholders.

There is an elective course entitled “Social Entrepreneurship in Turkey” in Bilgi University. The course aims to 1) increase knowledge on concepts: social change, social innovation and social entrepreneurship, 2) raise awareness on social problems, 3) develop peer-learning practices and team-work skills, 4) gain knowledge on a social enterprise’s life-cycle, and 5) gain knowledge on the Turkish experiences of social entrepreneurship.

**Involvement of Business in Corporate Social Responsibility in Turkey**

**Historical context: origins and evolution of corporate social responsibility in Turkey**

Throughout Turkey’s history, as far back as the first Islamic-Turkish states, the state has had direct relations with philanthropists. The clearest forms of institutionalized philanthropies appeared during the Ottoman period. The ‘Waqf’ (foundation) emerged as an establishment dedicated to the provision of public services, such as education, shelter, social security and healthcare. As a rule, waqfs belonged to rich families. The waqf allowed a rich family to serve society by sharing its wealth in the form of public goods. This establishment reflects an understanding of the Islamic concept of ‘zaqat’ - the obligation of a Muslim to donate one-fortieth of her/his wealth to the poor. The state thus institutionalized philanthropy through the framework of Islam. Waqfs are still active in Turkey today and most family-owned conglomerates in Turkey have an associated waqf. It is common for families who own businesses to consider and report waqf activity as CSR. This situation demonstrates an overall ambiguity about the definition of CSR in Turkish society: CSR is partly considered as the new term for traditional philanthropy and partly there is the understanding that it should be something new and larger in scale (CSR Turkey, 2010).

The Ahilik system was the other pillar of the institutionalized relations between the Turkish state and philanthropies. The Ahilik was a special guild system for artisans and craftsmen in Anatolia. In addition to its functions as a guild, the system of Ahilik provided shelter for poor people and foreign travellers, education and health services for the population, and even a security force against enemies. The system allowed prominent people from Ahilik to manage the governance of
cities and all public and special responsibilities for the population. The Ottoman State directly supported the Ahilik system throughout the centuries\(^97\) (CSR Turkey, 2010).

The traditional systems for organizing and managing philanthropy are a mixed blessing for CSR in contemporary Turkey. On the one hand, they provide a solid foundation and a starting point to promote the spirit and practice of CSR among modern Turkish businessmen. On the other hand, this traditional understanding of philanthropy at worst clashes with, and at best creates misunderstanding, of strategic CSR by depicting it as the ‘modern name’ for philanthropy.

During the last 5 decades, business in Turkey has gradually adapted to global competitive pressures. Yet periods of high inflation and political instability have stalled the emergence of a socially responsible business practices. Since the 1980s, economic liberalization has made global pressures for CSR more pronounced, yet pressures of competitiveness, profitability and low price production have outweighed those of responsibility as far as Turkish business is concerned. Furthermore, Turkey remains a country where state intervention in the economy continues to be high (even if diminishing) – an economic model that is not conducive of business self-regulation and orientation toward social impact (CSR Turkey, 2008, p. 43). CSR has thus been promoted gradually under the impetus of international organizations, including the EU (in the frame of the EU accession process), and multinational business. Economic crises, too, have brought to the public attention issues of business ethics and governance, transparency and accountability.

**Prevailing definition and practice of CSR in Turkey**

*The Turkish state’s understanding of CSR*

The Turkish state has not committed to a clear vision of CSR. ‘CSR’ has not been cited within any official documents. The role of the state is seen as limited to promoting the public good and social issues (that are also vital parts of CSR), usually most clearly described in the regular Development Plans. The 10th Development Plan of the Republic of Turkey (covering the 2014-2018 period) emphasized issues such as human rights, empowerment of women, labor force participation of women and their inclusion in decision making processes, and sustainability and environmental issues. The increasing role of the private sector concerning sustainable development is mentioned (e.g. Art. 900) without specifying any societal or government expectations for responsible business conduct. There is a general acknowledgment of the new realities of green growth:

> “[c]ombating climate change and sustainable utilization of biological diversity must be considered in parallel to the determination of economic value of natural resources and development of environmental standards in production and consumption through competitiveness and green growth approach. (Ministry of Development, 2014, p.118)

The state has thus maintained an arms-length approach to the subject. Officials from the State Planning Organization argue that there should not be any deterministic official view of the state regarding CSR. CSR is regarded as a voluntary activity of business, and hence state regulation is deemed meaningless in this field. State Planning Organization officials have found the idea of CSR law for Turkey to be ineffective at best and harmful at worst. In their view, if a law appears regarding CSR, CSR will become just another section of the Ministry of Labour and Social Security (CSR Turkey, 2010). In this regard, Turkey is similar to most European states, where it

\(^97\) “Devlet-i Aliyye”. By: Halil İnalcık.
is the private sector that is deemed the driver and “owner” of CSR. Yet unlike most EU Member States, government has not officially asserted a position that CSR is beneficial for society and should therefore be encouraged and promoted.

Yet the Ministry of Labour and Social Security concedes that CSR, as understood in the EU, is not applied efficiently in Turkey. Reasons for this situation are found in the divergence of the Turkish economy from Western market economy models, rooted in factors such as the high rates of unregistered employment, low employability levels among women, the prevalence of non-commodity family labour and the Turkish apprentice system. The economic realities in Turkey are thus deemed different from those in the EU, which calls for an authentic definition of CSR for Turkey (CSR, 2010).

**Key social issues pertaining to CSR**

Turkish society grapples with a host of social and economic issues, many of which could be interpreted as calling for a more active role of business in finding solutions. These issues include:

- high rates of population growth and increasing rate of production and consumption, including energy consumption, all of which leads to environmental distress in many areas;
- rapid urbanization;
- high levels of mass tourism;
- inequalities between eastern and western regions;
- high unemployment (especially in eastern rural regions), further exacerbated by the influx of Syrian refugees;
- gender inequalities, including in terms of literacy and employment;
- insufficient opportunities for professional education and training;
- large size of the informal economy and high incidence of unregistered labour;
- poverty and social exclusion issues related to the influx of Syrian refugees.

The environment should be a key component of CSR in Turkey. Environmental issues have become a top priority issue, not only for civil society, but also for politics. The 9th Development Plan has put in place measures to improve environmental legislation and standards and to strengthen environmental management. Strategic national documents in the field have been adopted: Climate Change Strategic Document and Biodiversity Strategy and Action Plan. In 2010, Turkey’s annual greenhouse gas emission was 401.9 million ton carbon dioxide equivalent (annual 5.51 ton carbon dioxide equivalent per capita). For the 2007-2012 period, the 10th Development Plan reports a reduction of 50% percent in sulfur dioxide and 36 percent in particulate matter in atmosphere. Future planned measures, albeit vaguely defined, directly relate to business:

- increased participation of the private sector in environmental management is expected;
- waste and emission reduction, increasing energy, water and resource efficiency, recycling, and a sustainable cities approach will be promoted;
- support for environmentally friendly practices in production and services is envisaged, including through public procurement;
- green growth, including through R&D and innovation, will be promoted (Ministry of Development, 2014, pp. 137-138).

All in all, however, Turkey stresses that its efforts in the climate change area will be guided by the principles of “common but differentiated responsibilities” and “respective capabilities” (Ministry...
of Development, 2014, p. 138). Indeed, during the last decade, officials in Turkey have argued that preventive actions in the climate change field are very expensive and Turkey is still in the adaptation stage. Since the entry into force of the Kyoto protocol, environmentalists in Turkey supported the protocol and encouraged Parliament to sign the agreement. Turkey signed the agreement in 2009. However, public opinion about Turkey’s membership into the Kyoto Protocol was not well managed and society remains divided as to the responsibility of Turkey in the process. The same dubious outlook is shared by business. Promoting CSR in the environmental field was not considered as an option for public policy either.

First sanctions towards environmental protection and reducing the effects of global warming may appear after 2013 as the official decisions of Turkish Government. On the other hand, Ministry of Environment and Forestry and Ministry of Labor and Social Security posed no sanctions to corporations, related to environmental protection; other than ongoing implementations of current standards about work areas and protection. (CSR Turkey, 2010, p. 23).

Thus, in the early phases of the development of the global climate change regime, the Turkish state has missed the opportunity to urge business to become involved in a genuine process of pro-active adaptation to new environmental standards. It is hoped that the situation will change in view of the 10th Development Plan. However, crucial in the process will be future initiatives emanating from within business itself.

**The role of public authorities and organizations in the promotion of CSR**

A study of the CSR-related activities of the Turkish ministries of environment, agriculture, tourism, and industry concluded that there is a relatively low level of awareness of CSR in the public sector (AFD, 2007). Public officials were very familiar with the concept of sustainability but the concept of CSR was rarely known. The Turkish administration has focused on the implementation of the EU *acquis*. The promotion of CSR practices has been considered a low priority issue because it is a voluntary initiative of the private sector.

Public authorities and organizations in Turkey could thus do more to promote CSR. First, greater alignment of Turkish legislation with EU legislation will be a strong impetus for more responsible business practices. Sharing of good practices of European CSR initiatives and the development of a national strategy for sustainable development would be of paramount importance, too. It is necessary to improve general CSR awareness in society, dialogue among stakeholders and cooperation among ministries. There should be more synergy between existing initiatives (Capital Market Board, MLSS and WIB, etc.) and between sectoral policies (AFD, 2007, p. 43). Generally, the dialogue between the public sector and the private sector should be improved if business in Turkey is to realize its growing responsibilities for solving societal challenges. This should be done also at the regional or local level on the basis of a concerted effort by municipalities and with the support of “organizations such as MUSIAD, TUSIAD, ABIGEM and the Chambers of Commerce – a collaboration which already exists in other fields” (AFD, 2007, p. 43).

For the specific context in Turkey, which stands out for an industrial sector that is atomized and strongly dominated by micro businesses and small enterprises, observers have proposed a stress on developing collaborations between public and private organizations in view of creating sustainable industrial zones (also known as eco-industrial parks) where businesses pull together efforts in managing environmental and resource issues. Such zones can decrease pollution rates, waste and the use of resources, while optimizing the individual performance of each participating business. Such initiatives will lead to sustainable local development based on improved synergies
“between public policies (urbanisation, transportation frameworks, solid waste collection and treatment, water sanitation and treatment, professional training, etc.) with the private strategies of locally installed companies (equipment, employment, employees and merchandise transportation, etc.) with the aim of creating an economically, socially and environmentally viable local environment for neighbouring communities. Industrial sustainability requires solutions at various levels: enterprise (e.g. ecoefficiency), between enterprises (e.g. eco-industrial parks, product life cycle, responsible care), and, regional and global (e.g. budgets and cycles for dematerialization and de-carbonisation).” (ADF, 2007, p. 43)

Another valuable proposal has been to create incentives for one or more large Turkish or multinational companies to take the leadership and create a CSR incubator (Michael, Dinler & Hopkins, not dated)

In sum, Turkish public authorities have a two-fold task in promoting CSR. First, their role should focus on harmonization, implementation and enforcement of the EU acquis. Secondly, they have a role to play in:

- Providing incentives for companies to operate responsibly and monitoring ethical business operations;
- Devising the appropriate incentive structures for creating partnerships between public organizations and private business and between private business and NGOs and other civil society actors;
- Raising awareness about consumer rights and human rights, including gender issues, as well as pro-active adaptation to environmentally friendly production practices and low carbon growth.

**Contextual factors and conditions affecting CSR in Turkey**

**Individual companies and CSR**

Available research has indicated that most businesses in Turkey perceive CSR as a public relations (PR) and marketing tool. CSR activities are frequently organized in cooperation with NGOs with expertise in certain social issues or come in the form of sponsorship and grants. Companies tend to engage in visible social activities addressing widely recognized social issues, yet these CSR activities are unrelated to core business activities and do not contribute in the long run to genuine sustainable development. CSR-related functions within companies are performed by persons employed in communications and marketing departments. CSR programmes are often outsourced to PR consulting firms, in which case the underlying objective of CSR strategies is to improve brand reputation. Most Turkish companies consider their own employees as the most important stakeholder group in terms of social responsibility. Other stakeholders, even when recognized as such, are not part of decision-making and governance mechanisms. Stakeholder management is not a commonplace practice (AFD, 2007, pp. 23-24; Kucuk Yilmaz, 2008). Most Turkish businesses understand the issue of business ethics and many have adopted codes of ethics. Yet observers note that these codes are very simplistic and mostly concern ethical approach towards employees rather than the broader society. Companies frequently perceive ethical behaviour as a competitive disadvantage as most unethical companies face lower costs of operation and production (AFD, 2007, pp. 25).

**Actors engaged in promoting CSR**
To strengthen the awareness of CSR in Turkish society, a special association has been founded. Corporate Social Responsibility Association of Turkey (CSR Turkey) aims at promoting a widespread awareness of social responsibility, improving knowledge of CSR, and promoting sustainable development and growth. For 5 years, CSR Turkey has been engaged in creating tools, resources and methodologies for business to behave in a socially responsible way and to create positive results and shared value for society. CSR Turkey also attempts to establish and maintain collaborations and networks bridging the business world and segments of society and stakeholder groups, with the ultimate goal to gear businesses’ impact on social, economic and environmental issues toward the common good. CSR Turkey has completed projects with the United Nations Development Programme, the EU, foreign embassies in Turkey, and civil society organizations and universities, both at national and international level. CSR Turkey is the main advocate for all issues related to social responsibility in Turkey and international collaborations in the field (CSR Turkey, 2010).

The Business World and Sustainable Development Association (part of The World Business Council for Sustainable Development) is another key actor in the CSR field in Turkey. It was founded in 2004 and its members are companies that have proven to engage in sustainable development and seek “win-win situations” in the sense of creating shared value for both society and business. SKD works to raise awareness and to promote the practice of CSR, in tandem with universities, NGOs and governmental organizations mainly in industrialized provinces such as Istanbul, Ankara, Bursa and Izmir (http://www.wbcsd.org/regional-network/members-list/europe/bcsdturkey.aspx; CSRforALL, 2013, 25).

Turkey has established business support infrastructure for large companies and SMEs: KOSGEB (Small and Medium Sized Industry Development Organization), TTGV (Technology Development Foundation of Turkey), TUBITAK (Scientific and Technical Research Council of Turkey), the Chambers of Commerce and Industry, KGF (Credit Guarantee Fund), TOBB (the National Union of Chambers of Commerce, Industry, Maritime Trade and Commodity Exchanges), TISK (Turkish Confederation of Employer Associations). Such organisations link Turkish business with European CSR initiatives (AFD, 2007, pp. 25-27)

Media and CSR in Turkey

Because of its power to influence large masses, media in Turkey is an essential tool for promoting CSR practices and mobilizing stakeholders. It can also raise awareness of specific economic, social and environmental issues. Especially after 2000, CSR-related information appears in monthly journals such as in Capital Magazine and in the economic sections of some newspapers. Capital researches leading company’s CSR activities and since 2005 has been publishing CSR ratings (Yelkikalan and Köse, 2012). Cumhuriyet Daily has a supplement dealing with CSR issues related to global warming, environmental, historical and cultural heritage, water, poverty, microcredit and sustainable development. Since 2008, the “Green Screen” program by NTV discusses environmental issues, global warming and renewable energy. Hurriyet is a media that is itself developing activities in the CSR areas of women and human rights, for which it won several national and international awards (CSR Turkey, 2010). All in all, media attention to CSR has been growing in the last decade. The remaining issue remains the credibility of the information and differentiating PR from real social impact. CSR reporting in media in Turkey is complicated by several challenges:
Media typically does not engage in independent research on CSR activities but instead relies on information provided by the companies and hence the frequent conflation of PR and marketing with CSR reporting;

- Freedom of expression issues generally affect credibility of information, including CSR information. Restrictions about freedom of expression in press and pluralism have been publicized especially recently in Turkey;

- Certain media outlets are controlled or influenced by business, which questions their ability to present CSR in Turkey in unbiased way.

**Impact of the financial crisis on CSR**

The effect of the financial crisis on Turkey is a controversial issue in public discourse in the country. Turkish economy has been affected very adversely and has experienced one of its worst economic downturns since World War II. Declining level of export have led to a decline in production output, a decline in investment expenditures, a decline in consumption and thus a decline in economic growth. In addition, as financial flows have stopped, economic entities have faced a credit crunch. A recession of this magnitude always affects CSR. Yet it appears that the impact is not one-dimensional. A number of smaller firms have prioritized survival and maintenance of economic viability over social engagements, not least due to the fact that smaller firms are less prone to firing workers and hence focus scarce resources on firm survival and workforce retention. Given the prevalence of small enterprises in the Turkish economy, their declining ability to spend resources on CSR is likely to have reduced the overall level of social responsibility spending. For companies less affected by the crisis or less threatened by collapse, the crisis may have had a rather different effect. It has underscored the importance of social responsibility for improving companies’ image in times when society is losing trust in business. Indeed, in Turkey, most of the large companies have re-confirmed their commitment to CSR activities, especially to philanthropy (Yelkikalan and Köse, 2012).

**Education and training in the CSR field in Turkey**

CSR, like the other new concepts that emerged in the last decades due to developments such as globalization and technological innovations, has attracted attention for practical reasons. Some important theoretical studies have been done during the years and it seems that further academic studies are essential regarding the development of CSR. In this respect, it is important to assess how academia in Turkey understands CSR and which topics it finds most important.

A study has been done in 30 universities by sampling from 141 universities in Turkey according to their location in different cities. The study analysed how CSR is dealt with at the undergraduate level. Because there is no direct information about CSR on the websites of the universities, it is hard to access information. Hence there are several findings which can be useful. CSR is an area which is analysed under different topics such as business ethics marketing, public relations and social entrepreneurship.

While few universities have CSR academies, most of the universities have social responsibility units and lessons for undergraduates. Social Responsibility lessons are mostly mandatory and credited, in which students develop projects by working together with NGOs and doing several philanthropic activities. Social Responsibility lessons which focus on the individual
responsibilities of students developed rapidly after 2000, while the topic of CSR itself is still at a developing stage. See Turkey – Annex 1 for additional information.
Lithuania

Development and Challenges of Social Entrepreneurship in Lithuania
Author: Vaida Bartkute-Norkuniene

Historical context: origins and evolution of social enterprises in Lithuania
As a former Soviet Union Republic, Lithuania has native traditions of work integration of disabled people through work. Being part of centrally planned economy, cooperatives were well developed in most Soviet countries. The work and vocational training enterprises for disabled people (visually impaired, deaf) that were established in the late 1960s have operated quite successfully in independent Lithuania. Those firms were among the first that got the status of social enterprises when the Law on Social Enterprises came into force in 2004 (Lithuanian Law on Social Enterprises 2004 (amended in 2011)). In 2004, Lithuanian was among the first new EU member states that adopted this law. Together with entering the EU, Lithuania got access to structural funds assistance and needed to harmonise national legal framework with the EU’s legislation (ICF Consulting Services, 2014).

The 2004 landmark legislation was preceded by a policy process influenced by EU policies. The concept of social enterprise was first mentioned in 1999-2001 in the process of implementing the EU programme PHARE partnership project “Initiative of social enterprises in Latvia and Lithuania”. The objectives of this project were to adapt the German experience of Social Enterprises as a means for decreasing unemployment and to initiate the development of Social Enterprises in Latvia and Lithuania. As a result of this project, the State Employment Service has started a pilot project “Social Enterprises for the employment of elderly and long-term unemployed people”, which intends to create 50 jobs for the defined target group (Latvian Adult Education Association, 2001).

The social enterprise sector in Lithuania
Legal framework for social enterprises

The current Lithuanian Law on Social Enterprises (as amended in 2011) provides the following definition of social enterprise: social enterprise is a legal entity of any form (individual enterprise, joint stock company, “public institution” – a Lithuanian term for NGO) that satisfies the following conditions (Moskvina, 2013, pp. 45–54):

- Implements activities for development of professional and social skills and social integration of defined target groups;
- A specified portion of its employees belonging to defined target groups;
- Less than 20% of its income comes from activities not recognized as social enterprise activities.

The Law on Social Enterprises distinguishes two types of social enterprises: social enterprise and social enterprise of the disabled. The 1st social enterprise was established and launched in 2005. Now there are 148 social enterprises in total (disabled social enterprises – 66; social enterprises – 82), employing 7,237 employees, 5,341 of whom are in the target groups (i.e. disabled people, long-term unemployed, imprisoned people, single parents etc.)

A “social enterprise” status can be obtained by an entity of any legal form (except for state and local authorities, trade unions, religious communities and associations) that meets the prescribed conditions. Current social enterprises use the following legal forms:
- private limited liability companies;
- public limited liability companies/ stock companies;
- public entities/ establishments;
- individual enterprises.

For the most part, current social enterprises are private limited liability companies. In terms of size, most of them are small and medium size private companies. More than half of them belong to the sector of manufacturing.

Cooperatives and credit unions are the other key actors in the wider social economy in Lithuania. Cooperatives of various types were well established in independent Lithuania until the 1930s. Within the Soviet centrally planned economy, it was mostly consumer cooperatives that survived. The cooperative movement has a bad image in society as it is associated with coercive cooperation under the communist regime. The sector is still striving to gain some new legitimacy and to grow as new forms of cooperatives appear (other than the consumer cooperatives which survived the political changes). In 2010, paid employment in cooperatives in Lithuania amounted to 8,971 persons (a mere 0.67% of total employment), a figure which is among the lowest in the EU (CIRIEC, 2013, 32-33).

Awareness of the concept in society, public attitude, government position in Lithuania

Lithuania is still in the initial stage of discovering the ideas and spirit of social entrepreneurship and its benefits for the society. Public authorities tend to be aware of the concepts of the social economy and social enterprise even though these concepts are not given as much importance as it is in countries with strong social economy traditions, such as Spain and Portugal. Discussions about social entrepreneurship and social enterprises is going on in different networks, between students, academics and entrepreneurs; yet the term of social entrepreneurship is not very well understood and definitions are limited to one or few features of social entrepreneurship. These conclusions are supported also by the results of the survey, which was conducted within the framework of this project and where representatives from education and business sectors were interviewed (see Lithuania – Annex 5). The phenomenon of social entrepreneurship in Lithuania is in the process of development and one recently introduced idea concerns the possibility of integrating the approach of social entrepreneurship into strategic planning of the non-governmental organizations having a social mission.

The official definition (taken from the 2011 law) rather stresses that social enterprises provide employment opportunities especially for the disabled and the long-term unemployed who produce goods and services according to commercial principles. Lithuania has already implemented a

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99 Lithuanian Labour Exchange.
https://www.ldb.lt/Informacija/PaslaugosDarbdaviams/Puslapiai/soc_imones_sarasas.aspx
register of social enterprises that supplies data about them. Lithuania is also one of the few countries where “social enterprise” employers are supported by law.

Seeing that the development of the social economy is a priority issue for the European Commission, the Lithuanian Ministry of Economy approved the Concept of Social Enterprise on 3 April 2015\textsuperscript{100}. This defines the social economy as a part of the national economy that creates social and economic benefits to meet those human and social needs that cannot be met by private and public operators. Social enterprise is a business model in which the profit motive is linked to social goals and priorities through the market mechanism and where social innovation is sought based on the principles of a socially responsible approach to business and of public-private partnerships. Social enterprise rests on three main pillars: the business pillar (ongoing business activity), the social pillar (pursuit of social goals) and the management pillar (limited availability of profits, transparent management).

Recent years have brought about an increasing awareness of social enterprises, opening up of public debate and the proliferation of training events. However, efforts tend to be fragmentary. Since 2014, a “Social Enterprise Summit\textsuperscript{101}” is organized annually in Vilnius by the British Council, the Ministry of Economy, and the NGOs Avilys and Geri Norai. The forum brings together existing and aspiring social entrepreneurs and other key stakeholders. During the first Forum, a Conception of Social Enterprise was drafted to guide discussions. The Concept was approved by the Lithuanian Ministry of Economy on 3 April 2015. During another event, the Lithuanian trade union “Solidarumas” - together with the European Economic and Social Committee and the Lithuanian Ministry of Social Security and Labour - held a roundtable discussion in April 2015 on the subject of Social enterprise in Europe and Lithuania. The aim of the event was to share information about social businesses, the social economy and social entrepreneurship, to encourage involvement of the social partners, to promote the social economy as a way of underpinning a sense of public spirit, and to boost both employment and social integration in Lithuania.

**Support for social enterprise in Lithuania**

*National policies, regulations and ongoing initiatives for promoting sustainable social and environmental development at the local and regional levels*

The development of social entrepreneurship is among the priorities in Lithuanian policymaking. For a detailed overview of the policy context, see Lithuania – Annex 1. The activity of social enterprises is regulated in the following legal documents:

- The Law on Social Enterprises\textsuperscript{102};
- The Law on Support for Employment\textsuperscript{103};


The Law on Social Enterprises explains which legal entities can obtain the social enterprise status, defines target groups of the persons employed in social enterprises, and defines the rights and duties of a social enterprise. The difference between “social enterprise” and “social enterprises of the disabled” is also explained in this Law: the social enterprise is a legal person that has received social enterprise status by following all the procedures defined in the Law and fulfills all of the conditions mentioned in this Law as the following:

1. The number of employees who belong to the target groups listed in Article 4 of this Law accounts to no less than 40% of the annual average number of the employees on the staff list, and the number of the employees who belong to the target groups of persons is not less than four. A proportion of the employees who are attributed to the target groups to the average number of employees on the staff list shall be calculated in accordance with the procedure laid down by the Government or an institution authorised by it. The target groups listed in the Article 4 are the following:

   a) disabled persons with Group I, Group II or Group III disability status or severe or moderate disability or the disabled whose capacity for work does not exceed 55% or persons rated as having high- or medium-level special needs (irrespective of whether they are registered with a local labour exchange office or not);

   b) long-term unemployed persons who have been unemployed for more than two years since their registration at a local labour exchange office;

   c) persons approaching retirement age (no more than five years before retirement) if they have been unemployed for more than one year since their registration at a local labour exchange office;

   d) a mother or a father who alone takes care of and raises a child under eight years of age if this person has been unemployed for more than six months since her registration at a local labour exchange office;

   e) persons released from imprisonment institutions if they have been imprisoned for more than six months and are registered with a local labour exchange office not later than within six months from their release from the correctional institution, provided they are registered with the local labour exchange office for not less than six months.

2. The founding documents of this legal person indicate that operating goals relate to employment of the persons who belong to the target groups, to development of their working and social skills or to their social integration.

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3. The legal person does not carry out the activities included in the list of non-supported activities of social enterprises, or the income received from such activities over the tax period accounts for not more that 20% of the total income received by this legal person. The list of non-supported activities is provided in Lithuania - Annex 2.

Procurement rules for social enterprises are described in the Lithuanian Law on Public Procurement (adopted 1996, last amended in 2013)\textsuperscript{107}. Under Article 91 of the Law social enterprises can contract out services and supply using simplified contracting procedure. In addition, public authorities must include social considerations into contracting. The law makes provisions for three ways for a contracting authority to “buy social”: the right to reserve contracts for social enterprises for disabled people; the duty to award at least 5 percent of the total value of simplified procurement contracts to social enterprises for disabled people, social enterprises or companies in which former convicted persons constitute at least 50% of the staff, or companies employing health care institutions patients and at least 50% of the patients work in the company for the purpose of labour therapy; and the right to supplement the terms of the purchase by qualification or technical requirements of social nature. This is not a novelty in Lithuanian public procurement legislation, as appropriate opportunities for people with disabilities have been provided for even in the first version of the Public Procurement Law, adopted in 1996.

The effectiveness of the Law on Social Enterprises is measured by conducting monitoring. Social enterprises are requested to submit, on a periodic basis, information about the employment and dismissal of employees belonging to target groups, reasons for dismissal, etc. Data on target groups employed by social enterprises and social enterprises of disabled persons is collected. The National Labour Exchange\textsuperscript{108} and its territorial offices are responsible for carrying out scheduled and spot checks of how social enterprises meet their obligations and utilize the state aid funds allotted to them. The checks are conducted in accordance with the Procedure for Checking Social Enterprises\textsuperscript{109}.

Cooperatives and credit unions are regulated through the Law on Cooperative Companies and the Law on credit unions.

\textit{Existing research and statistics on social enterprises}

Currently social entrepreneurship in Lithuania is in its early development stage. There is lack of specific research in the social entrepreneurship area. Most research in business and management has been carried out during the twenty years after the independence of Lithuania. Existing research about social enterprise activity show that the current legal framework fails to sufficiently encourage business to take up social causes and involve individuals from target groups. Active enterprises meet more difficulties in gaining social status because their founding documents already need to contain provisions regarding their objectives related to employment of individuals from the target groups. In general, gaining social status is a complicated process because it takes a lot of time and specific knowledge. Further, the development of social enterprises is impeded by


\textsuperscript{108}http://www.ldb.lt/en/

\textsuperscript{109}Procedure for Checking Social Enterprises. Approved by Order of the Minister of Social Security and Labour No. V-161 of 3 April 2012. \texttt{http://www.ldb.lt/}
a faulty conception of what are “non-supported” activities (Simanavičienė, 2007; Čižikienė and Čižikaitė, 2007)

Research on entrepreneurship in Lithuania follows a more traditional viewpoint. Social entrepreneurship is almost not researched. The following existing work should be highlighted:

- Social Entrepreneurship Strategy Planning (SESP) Research Study on Social Enterprises (2012): Analysis of Social Enterprises in Austria, Bulgaria, Lithuania and Poland. The specific goals of the research process was to analyze the key characteristics of social enterprises and assess the social enterprises’ level of understanding of the concept of social entrepreneurship as well as their attitude and opinions on relevant laws and problems they are facing;

- Analysis of Lithuanian enterprises was performed during the research project “The impact of labour market policies into employment situation during the different economic cycles” in 2011-2012. Evaluation of social enterprises’ activities for integrating vulnerable groups in the labour market was carried out. This research described major trends within the sector (Moskvina, 2013, 45-54);

- In 2010 the public enterprise „Union of Disabled Social Enterprises“ and the Latvian partners - association "Baltāmāja" and union "Apmācību Projekti" started implementing a project “Increasing the Competitiveness of Disabled Social Enterprises”\(^\text{110}\). The main results of this project are: website (http://www.galiudirbti.lt/en/) with database of disabled persons’ CVs; VISTA study - collection of statistics, analysis and screening of prospects about people with disabilities and their employment, and companies’ potential to employ people with disabilities and presentations of possible means of helping to employ people with disabilities; a catalogue „Good Practice Examples of Disabled People’s Work“; a practical guide for organizations about procurement conditions and the possibilities to buy from social enterprises of disabled; and a feasibility study “Development of employment possibilities for people with disabilities”.

- A map of social enterprises and their eco-systems in Europe (ICF Consulting Services, 2014). Country Report. This report procured by the European Commission provides a valuable overview of the social enterprise landscape in Lithuania

Data on legally established social enterprises mostly refers to the list of social enterprises on the website of the Labour Exchange. All companies that received the status of social enterprise are listed, indicating basic information. The scope of the data, however, is insufficient and inappropriate for comparative or research tasks.

**Key actors, networks, stakeholders**

Among the key public bodies relevant for the development of social enterprises in Lithuania are: the Ministry of Social Security and Labour; the Territorial labour exchanges; the municipalities in their capacity of providers of support and facilities; networks of social enterprises such as the Association of the Lithuanian Social Enterprises (Vilnius), the Union of the Social Enterprises of the Disabled (Klaipėda) and the public institution „The Union of Disabled Social Enterprises“ (UDSE)\(^\text{111}\); public administrations in their capacity of contractors.

**Public support for social enterprises**

\(^{110}\) [http://www.galiudirbti.lt/en/]

\(^{111}\) [http://www.nsis.lt/en/21233]
There are two laws in Lithuania that determine state support for the disadvantaged: the Employment Support Law\textsuperscript{112} and the Law on Social Enterprises\textsuperscript{113}. These laws support employers who hire disabled employees and other members of the target groups. State aid of the following types can be granted to social enterprises:

- partial compensation for wages and state social insurance contributions;
- grants for creation of jobs, adaptation of workplaces for the disabled, and acquisition/adaptation of means of work for the disabled;
- grants for training of target group employees.

The partial compensation for wages and state social insurance contributions is intended to reimburse the social enterprise for the additional expenses related to target group employees’ insufficient skills, lower productivity or limited ability for work. The compensation is paid for each disabled person without limiting the period of payment; for any other person belonging to the target group – during one year. To encourage employers to create jobs for the target groups, job-creation grants may be provided to social enterprises. A job placement supported by state aid must be maintained for at least 3 years. For details on the size compensation and support, see Lithuania – Annex 3. The subsidized share of expenses is not established for each applicant individually; common annual rates are established and approved by the National Labour Exchange upon agreement with the Ministry of Social Security and Labour. The rates are established having regard to the number of applicants in the previous year, the amount allocated from the state budget, etc.

A grant may be given for covering expenses related to the development of the employees’ work or social skills. If the training is of general nature, i. e. the knowledge acquired has wider application, then up to 80\% of expenses may be reimbursed. Where training is of special nature, the rate of compensation is lower (up to 45\%). Specific amounts are calculated by the method described above.

Additional forms of state aid are available for social enterprises of the disabled:

- grants for the adaptation of disabled employees’ work environment and production/rest premises (up to 70\%);  
- grants for compensating additional administrative and transport costs (up to 70\%)\textsuperscript{114};  
- grants for compensating the costs of an assistant\textsuperscript{115}.

\url{http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_l?p_id=478633}

\textsuperscript{113}Law on Social Enterprises. Approved by Law No. IX-2251 of 1 June 2004  
\url{http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_l?p_id=415130}

\textsuperscript{114} The purpose of this is to cover part of expenses of a social enterprise earmarked for providing conditions for communication with and transmitting information to the disabled as well as other administration costs related to employment of disabled persons. If a social enterprise provides its disabled employees with a service of transportation to/from work, such enterprise may receive a grant to compensate its fuel costs.

\textsuperscript{115} The grant amounts to 30\% of the minimal hourly pay rate for employees with 30 to 40\% level of ability for work (disability Group I) and to 20\% of the minimal hourly pay rate for employees with 45 to 55\% level of ability for work (disability Group II).
The Law on Social Enterprises establishes, in line with the provisions of the EU regulations on state aid to enterprises, that the total amount of financial aid to an enterprise may not exceed LTL 51,750,000 (EUR 15 million) during three years in succession\textsuperscript{116}.

Apart from the state aid types referred to above, Article 5 of the Law on Income Tax establishes a zero income tax rate for social enterprises. Article 13 of the Law on State and Municipal Property Management, Use and Disposal states that state and municipal property/premises may be granted to social enterprises on loan-for-use basis for temporary management and use free of charge. Costs saved by social enterprises by receiving premises free of charge are treated as state aid. In addition, public procurement rules, as described above, facilitate sale of social enterprises’ products and services.

During our research, business itself noted that they needed more accurate information about all financial instruments and that the government should create an objective evaluation system allowing enterprises to measure the degree to which social entrepreneurship is developed. They called for more financial support or organization of awards.

\textit{Non-public support for social enterprises}

Social enterprises can benefit from non-financial start-up support. There is a growing number of workshops and seminars. For example, “Socifaction”\textsuperscript{117} – a social enterprise acceleration program – invites youth to accelerate their social business ideas. This programme last for almost a year and provides: two workshops/trainings, mentoring and expertise support and social network, which is needed for sustainable social enterprises development in Lithuania and Latvia. The first workshop was organized in Vilnius in 2015. There is an online platform Start-up Lithuania\textsuperscript{118}, which provides information for aspiring entrepreneurs. NGOs provide support, too. See Lithuania – Annex 4 for examples.

\textbf{Financial solutions for social enterprises in Lithuania}

Social enterprises without official legal status can rely only on own investments or the EU funding opportunities for SMEs under Operational Programmes in Lithuania. Operational Programme for Economic Growth 2007–2013 has been replaced in the new programming period with Operational Programme for the EU Funds’ Investment. The current support programme has funding schemes dedicated to promoting SMEs competitiveness, including a) increasing the overall level of development of entrepreneurship and promoting the setting up of new business enterprises through advisory services, supporting financing models and supporting incubators; b) support for the internationalisation of SMEs; c) support for increasing the productivity of SMEs; d) support for increasing investments of SMEs in eco-innovation and resource-efficient technologies. All in all, 7.92\% of all support funds under this Operational Programme will be available for the promotion of SMEs. Under different priorities, support will be available for various organizations for the

\textsuperscript{116} State aid is granted to social enterprises by territorial labour exchanges in accordance with special procedures approved by order of the Minister of Social Security and Labour No. A1-261 of 24 November 2004. Upon adoption of a decision on state aid the territorial labour exchange and the social enterprise sign an agreement stipulating conditions for the payment and utilisation of the grant.

\textsuperscript{117} Social enterprise accelerator Socifaction. \url{http://www.startuplithuania.lt/en/events/social-enterprise-accelerator-socifaction-workshop}

\textsuperscript{118}Startup Lithuania. \url{http://www.startuplithuania.lt/}
promotion of quality employment and participation in the labour market; increasing social inclusion and the fight against poverty, etc.\(^{119}\)

Programme “Burės” finances short-term projects and often bridges the funding gap for Lithuania’s nonprofits and social enterprises. It holds workshops all over Lithuania to help local communities shape their entrepreneurial ideas and find the resources to implement social entrepreneurship activities. “Burės” offers microcredit on a relatively small scale to a few organizations. This funding initiative is financed from private sources and relies on volunteer staff but it itself receives some public support. It operates a form of crowdfunding platform for social business based on the Rewards Model (www.kelkbures.lt)\(^{12}\). Since they do not involve investment services, such crowdfunding platforms based on donations or rewards could be designed and operated in Lithuania without major regulatory problems. However, no other such platforms have been developed yet.

**Opportunities and barriers for social enterprise in Lithuania**

The legal definition of social enterprise in Lithuania does not accord with the European Commission's criteria for designating a social enterprise. Lithuanian social enterprises continue to pursue the typical goal of the traditional business model, namely profit maximization. Profit distribution is at the discretion of the company owner, profits are not reinvested back into the business to fulfil its social purpose, and there are no innovative social activities or economic operations aiming to create synergies. This considerably narrows the concept of social enterprise and wastes a great deal of potential for developing social entrepreneurship. The legal basis for social business operations must be aligned with the general criteria for social enterprise and social businesses laid down by the European Commission, in particular with respect to increasing the reinvestment of profits into social impact.

Thus, Lithuania in fact does not have adequate legal provisions covering the social enterprise as a business model geared to achieving social objectives. The law on social enterprise only recognizes the model of social employment, i.e. companies recognized as social enterprises provide work for people from specific target groups, namely those no longer able to engage in professional or other activity, those not economically active, and those who cannot compete on equal terms in the labour market. Such companies receive government support (subsidies for wages and social security). Other types of social enterprise are not legally recognized and there is no opportunity to develop them. Importantly, the decision to single out only some types of enterprises for public support has had perverse consequences for the policymaking process. While critics have called for revising the understanding of social enterprises to include enterprises pursuing social objectives other than employment of disadvantaged groups, such ideas and initiatives are met with counter lobbying on the part of the currently supported enterprises that fear possible reductions in their share of support should other enterprises be designated as eligible, too. The Association of the Lithuanian Social Enterprises\(^{120}\) (Vilnius) and Union of the Social Enterprises of the Disabled\(^{121}\) (Klaipėda) are among this active lobbyists for the status quo (ICF Consulting Services, 2014, 5). While their call for special treatment may be justified, a more inclusive policymaking process will benefit the


\(^{120}\) Association of the Lithuanian Social Enterprises. [http://www.socim.lt/content/apiemus.lt.html](http://www.socim.lt/content/apiemus.lt.html)

broader social economy by possibly finding solutions to adequately support other social impact-driven organizations.

There are two associations of social enterprises which are lobbying actively and opposing any such initiatives to expand boundaries of social enterprises, because it would reduce state support for the current social enterprises:

**Promotion of social entrepreneurship in education in Lithuania**

There is no formal education for social entrepreneurship in Lithuania. However, there are some linked programmes, or some individual courses. The Educational Development Centre in the Ministry of Education (Lithuania) explained that social economics is part of business and social care education programs at the higher education level. It is not incorporated into education programs implemented at lower levels, except for very few cases. During our research, most of the representatives of education institutions that we spoke with suggested that social entrepreneurship is not adequately taught at Lithuanian universities or vocational education and training institutions. Most of the representatives of business said that their employees learn about social entrepreneurship mostly through non-formal education or in-company trainings.

The trainings arranged by “Sėkmės mokykla” (Success School), a non-formal education organisation, could be identified as a good practice example. In addition to their regular training programme, they implemented a project on promotion of volunteering activities which is financed by Lithuanian-Swiss Cooperation Programme. They organised 10 free training sessions for the young people in the biggest Lithuanian towns in 2013. “Sėkmės mokykla” ensured that most active participants of the project found the opportunities to volunteer in local NGOs.

In Vytautas Magnus University, Faculty of Political Science and Diplomacy, Department of Public Communication (Kaunas) there is one optional bachelor study course “Social Economy and Civil Society”, which is aimed at providing deeper understanding of the functions and roles of public administration in developing local economic means. The course introduces concepts and theories of social economy, methods of implementation of local strategies built on partnership and cooperation between the public, private and NGO sectors, and other relevant issues of social enterprises and social entrepreneurship.

The module Sustainable Development is taught for all study programs in the faculty of Business Management in Vilnius University of Applied Sciences. This module covers social responsibility and social entrepreneurship. Social responsibility is incorporated into other subjects’ modules as well. Students each year write final theses in social responsibility topics and are involved in various social initiatives and voluntary activities.

Some lectures or events on social entrepreneurship are being organised on ad hoc basis by ISM University of Management and Economics. For example, Citizenship Award 2012, organised by Civitta and NPO ‘Sėkmės mokykla’ was dedicated to social entrepreneurship topics. In 2012, several ISM students participated in international youth training on social entrepreneurship ‘A

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CreACTive Approach for a Better World. The training was organised by the NGO ‘My Tutor’ in cooperation with Moldavian partners ‘Youth Generation’ and funded by the EU project124. AIESEC. An ISM department also implemented a project which aimed to encourage the development of social entrepreneurship in the country. In 2012, under this project, a number of lectures were delivered on the subject of social entrepreneurship.

Social entrepreneurship training programme for Lithuanian communities “Burės” helps to generate social entrepreneurship ideas and implement them. This interactive training programme was implemented by the Community Change Centre, initiative ‘Burės’. With financing of the Ministry of Social Security and Labour trainings were delivered in six Lithuanian regions. There were about 200 participants from various civil society organisations.

Under the project Social Entrepreneurship Strategy Planning125 (SESP), training materials and hints for tutors and trainers are developed. The SESP project intends to transfer a developed innovative learning models and e-learning content

SET4Work126 (Social Enterprise Training for Work) is a project whose main result is a tested training material SET4Work, a Business start-up course for social enterprises.

### Involvement of Business in Corporate Social Responsibility in Lithuania

**Authors:** Dmitrijus Kosinovas, with contribution by Marius Pečkys

#### Historical context: origins and evolution of social responsibility in Lithuania

Corporate social responsibility is a new idea in the Lithuanian context. It was only in 1990 that Lithuania got independence from the Soviet Union, where planned economy was implemented and all companies were governed by the state. In independent Lithuania, at government level CSR issues are dealt with mainly in the Ministry of Social Security and Labour (hereinafter – MSSL), but the main player in this area has been the United Nations Development Programme (hereinafter – UNDP) which was the first to initiate the dissemination of CSR ideas in Lithuania and played an important role in the formulation and implementation of socially responsible and sustainable business policies in Lithuania; that is, in creating political, administrative and capacity development mechanisms and conditions that promote an enabling environment for CSR. UNDP started working with Lithuania in 1992 and had its project office in Lithuania since 2006127. While

125 http://cms.sesp-project.eu/index.php?id=518
the UNDP project office was active in Lithuania until 2013, CSR ideas were effectively disseminated and implemented in Lithuania.

In 2004 UNDP launched the United Nations Global Compact (hereinafter – UNGC) and the creation of the National Network of Responsible Businesses. In the same year, together with the President of Lithuania Valdas Adamkus, UNDP organized the first national CSR conference in Lithuania and in 2005, 40 Lithuanian enterprises joined UNGC and thus the National Network of Responsible Business (hereinafter – NNRB) in Lithuania was established. NNRB joined mainly companies and organisations which belonged to UNGC128.

**Prevailing definition and practice of CSR in Lithuania**

In the EU, CSR is related to economic, social and environmental goals related to development, as enterprises implementing CSR contribute to the creation of jobs and improvement of labour conditions. The Baseline Study on Lithuania from 2007 (Socialiniai tyrimai, 2011, pp. 43-45) demonstrated that CSR ideas were only starting out at that time in Lithuania: CSR promotion measures were fragmented, guidelines for CSR implementation and evaluation were lacking, the state divisions responsible for coordination of CSR management were missing, inter-institutional cooperation was lacking. The opinion that CSR was a costly and low value investment often prevailed. Enterprises rarely integrated CSR into business strategies.

Our research in the framework of this project suggested that while CSR is a widely known concept, more than half of the companies regard it as an additional activity, i.e. activity that is not integrated into the strategic planning of business activities.

**Involvement of Lithuanian business with social issues and sustainable development**

Nevertheless, CSR is crucial for the Lithuanian economy. A more recent study on the economic benefits and long-term impact of CSR activity on selected companies (Danko et. al., 2008, pp. 41-47) carried out within the framework of the Gates Project (see below) reviewed 43 companies carrying out their activities in Lithuania and analysed 10 companies in detail. The study revealed that CSR initiatives in Lithuanian companies produce a 45 percent return on investment on average. According to one of the researchers,

“this study was the first that evaluated not only the general CSR development situation or the maturity of CSR practice in separate companies in Lithuania, but was oriented towards detailed analysis of economic benefits resulting from CSR activities. ... The study demonstrated that investments in CSR are beneficial and the biggest return on investment is achieved in those companies where CSR is closely linked to the overall strategy and business model of the company”.

“Tangible economic benefit is usually seen only after some time. We believe that it is important not to stop the work if you do not get results quickly. For example, while establishing the production division we consciously selected technologies that did not use solvents in the printing process. After a while we found out that we did not need to invest in expensive air cleaning equipment, and this resulted in a direct economic benefit. However, no less important is the indirect effect: when people work in a clean environment, when they see that managers take care of them, they work in a more responsible manner. It is not easy to evaluate the extent of additional benefits when people work better in better conditions.”

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Virginijus Gumbaragis, Director General, “PakMarkas”

Currently, a unified CSR standard does not exist (there are ISO 26000 guidelines, but companies are not certified under them). However, related standards exist, e.g., on social accountability, environmental management and labour safety systems (SA8000, ISO 14001, EMAS, OHSAS). Approximately 30 Lithuanian companies participated in a training session in the framework of the above project and were offered consultations, which enabled them to apply the standards. By the end of 2012, 15 companies, which participated in the project, were certified according to the requirements of the standards.

“Education of engaged employees is one of the priorities for “Lietuvos draudimas”. Participating employees are satisfied with the workplace, tasks and responsibilities, they knows what is expected from them, have opportunities to develop and are appreciated for the work done. Survey data shows that if an organization increases its staff engagement by 4 percent, its return on investment is higher: profit increases by 15 percent, productivity by 11 percent. On the other hand, increased engagement results in reduction of staff turnover by 15 percent”.

Virginija Mikutaitė, Human Resources Director, “Lietuvos draudimas”

UNDP activities

Nevertheless, things have changed quite a bit since 2007. UNDP implemented and coordinated national and regional projects funded by European Structural Funds (hereinafter – ESF), European Commission (hereinafter – EC), UNDP and the governments of Lithuania and Poland in the area of CSR and contributed to national CSR policy formulation and its multidimensional implementation. It was entrusted with the coordination and implementation of two regional projects in the area of CSR, which involved more than five countries and were funded by UNDP and EC.

UNDP implemented the following projects129:

1. Enhancing awareness of CSR and strengthening National CSR Network (2006), funded by UNDP and MSSL. During the project, 40 members of NNRB and 40 social auditors were trained, 4 discussion forums on CRS were organised.

2. CSR Promotion in Lithuania (2007-2008), funded by UNDP and MSSL. During the project, a scientific conference was organised and the agreement to integrate CSR into programmes of higher education studies was reached; comparative study of CSR awards in Europe and the world was done; analysis of legislation through the perspective of CSR and recommendations to improve governance was done; two international CSR conferences (over 200 representatives from various sectors) were organised; two CSR guidelines / good practice publications were prepared; experimental evaluation of CSR strategies and activities of three companies were done; the National Responsible Business Awards were established and started to be organised annually. The National Responsible Business Award is the only initiative of this type in the country. It selects the most advanced companies in the area of CSR. From 2008 till 2012

this award was organised by UNDP, and since 2013 it is organised by MSSL, Ministry of Economy and Ministry of Environment.  

3. **CSR promotion in new EU member states and candidate countries** (2006-2008), funded by UNDP and EC. The project was implemented in Bulgaria, Croatia, Poland, Lithuania, The former Yugoslav Republic of Macedonia, Slovak Republic, Turkey and Hungary. Networks of Responsible Business in Spain, United Kingdom and Germany also participated in the project and contributed with their experience and good CSR practices. 

The following main results of the project could be mentioned:

- For the first time the baseline CSR analysis in the project countries was carried out on the basis of methodology created specifically for Central and Eastern European Countries. The European Synthesis Report presented a comparative analysis of CSR situation in the countries and offered recommendations regarding specific actions that would promote CSR developments.
- National strategies for CSR promotion were drafted and approved in some countries. In addition, funding for their implementation was ensured.
- Cooperation networks and discussion forums on CSR were created, which enabled to coordinate actions, exchange opinions, select the most suitable CSR implementation tools and agree on CSR promotion directions in the countries.
- The regional conference held in Brussels for the first time brought together representatives of the new EU Member States, candidate countries and EU 15 for discussions on CSR issues. In addition, the first regional conference on CSR public policy was organized in Lithuania, which gathered together the representatives of 15 countries.

4. **Establishment of the CSR Performance Measurement System** (2009-2011), funded by the EC, UNDP and the Polish Government, in which Bulgaria, Hungary, Lithuania, Poland and Slovak Republic participated. The project developed the system for assessing CSR activities at company and state levels and created an enabling environment for socially responsible business. The main results were as follows:

- Country-level CSR progress monitoring and assessment system was created and countries’ representatives were trained how to use it.
- Company level CSR self-evaluation tool enabling to assess CSR progress was created.
- Regional conference was held in Vilnius, which discussed the issue of CSR progress monitoring at national level for the first time in Europe. The representatives from six countries and the EC attended the event.

As part of these interventions, UNDP organised a large number of trainings, round table discussions and other events, which introduced and analysed the subject of CSR. In addition, the first publications introducing good CSR practice in business were published, and training for CSR consultants and advisers organized.

**Public support**

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As a result of wide multi-stakeholder discussions involving other Lithuanian entities and foreign experts, the first National CSR Agenda as well as National CSR Promotion Programme for 2009-2013 and its implementation plan for 2009-2011 were prepared and approved by the government\textsuperscript{131}. The programme reflected the results of UNDP and MSSL initiatives, i.e. the CSR promotion measures, which proved successful in Lithuania or other countries and which were endorsed by stakeholders. It can be said that this programme was among those which were most actively discussed with various stakeholders prior to its approval, while the envisaged programme effectiveness evaluation criteria were based on substantive research.

\textit{Multistakeholder activities}

The national ESF funded project \textit{“Gates: Social and Environmental Business Innovations”} (2010–2013) aimed at enhancing understanding and awareness on CSR among businesses and society, creating conditions for CSR development in Lithuania, encouraging companies to implement CSR principles with a view to enhancing competitiveness, safe environment, social inclusion and transparent business activities. The project partners were the Lithuanian Business Employers’ Confederation, the Lithuanian Trade Union “Solidarumas” and the NGO Information and Support Centre. The innovativeness of the project lied in the fact that it implemented the whole National Programme on CSR Promotion and addressed multiple issues that hinder CSR development in Lithuania. These issues were addressed at various levels at the same time: state, business, civil society and consumer levels. The main activities of the project depending on the interest groups were the following:

- \textit{State level:} country level CSR progress monitoring methodology; indicators and assessment of current CSR situation; improvement of legislation; creation of state level mechanism for effective consideration of CSR issues; methodologies for implementation of CSR principles at state and municipal institutions; guidelines for state owned companies; National Responsible Business Award and conferences on CSR;

- \textit{Business level:} methodological tools and guidelines for practical application of CSR in certain business sectors (transport, healthcare, food industry, furniture and wood processing industry, and construction sectors); training and awareness-raising for companies; implementation of CSR-related standards; dissemination of good practices; practical application of various CSR tools in business; support in preparing CSR reports and applying CSR principles; study on economic benefits of CSR activity of selected companies;

- \textit{Education:} basis for teaching CSR at higher education institutions by preparing a pilot CSR study programme and supporting qualification-raising abroad for researchers and CSR-trained advisors;

- \textit{Consumers:} initiatives promoting responsible consumption implemented;

- \textit{NGOs:} measures for promotion of NGO-business partnerships (26 initiatives implemented).

\textsuperscript{131} \url{http://www.socmin.lt/lt/darbo-rinka-uzimtumas/imoniu-socialine-atsakomybe-isa/apie-imoniu-socialine-atsakomybe.html}
The main innovations of “GATES”132:

- **Study on the economic benefits and long-term impact of CSR activity on selected companies.** Considering that Lithuania lacked concrete examples of the economic benefits of CSR that would ease companies’ understanding through the business angle, UNDP commissioned “Ernst & Young Baltic” to carry out the first study in Lithuania on the economic benefits of CSR activity and its long-term impact on business at selected companies.

- **Application of CSR-related standards in companies.** The objective of application of CSR-conducive standards is to ensure the implementation of CSR principles in companies through practical workshops and consultations.

- **CSR progress monitoring at a country level.** For the first time, regular monitoring of progress of public measures applied was carried out in this field. It will enable planning and justifying further CSR promotion measures and monitor the general CSR situation in the country. CSR progress monitoring at state level is a unique phenomenon in the EU, which is a result of the regional UNDP project having developed the first of this type of methodology.

Lithuania was the first among the new EU countries to approve and implement a multifaceted CSR promotion programme. Since 2005 NNRB expanded several times and in 2013 included more than 110 members. When UNDP ended its active work in Lithuania, NNRB decided to be transformed from a non-formal network to a formal body. Thus, in 2013 Lithuanian Association for Responsible Business was established133. The Association had 27 members in 2015. In the same year the Association became a member of CSR Europe134.

61 company and organisation became members of UNGC from 2005 till 2012. However, only 6 new companies joined UNGC from 2013 till 2015. The percentage of active UNGC members from ~60% in 2008-2010 increased to 80% in 2011. However, in 2015 this percentage decreased to 55%.135 This suggest that concerted multistakeholder efforts and an active leader organization136 are crucial for sustaining the momentum for CSR, at least in Lithuania (but also probably in other East European countries where CSR traditions are weak or non-existent). In 2012 the network of CSR professionals “CSR Network Lithuania” was established in, which involves specialists and

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132 The products developed by the project (methodologies, training materials, guidelines, etc.) are available at [www.CSRBaltic.lt](http://www.CSRBaltic.lt) and [www.socmin.lt](http://www.socmin.lt).


135 [https://www.unglobalcompact.org/what-is-gc/participants/search?utf8=%E2%9C%93&search%5Bkeywords%5D=&search%5Bcountries%5D%5B%5D=115&search%5Bper_page%5D=50&search%5Bsort_field%5D=&search%5Bsort_direction%5D=asc](https://www.unglobalcompact.org/what-is-gc/participants/search?utf8=%E2%9C%93&search%5Bkeywords%5D=&search%5Bcountries%5D%5B%5D=115&search%5Bper_page%5D=50&search%5Bsort_field%5D=&search%5Bsort_direction%5D=asc)

136 It is important to mention that regional CSR projects and other UNDP corporate activities in Lithuania have significantly contributed to the development of democratic processes, public policy and responsible business not only in Lithuania, but in Central and Eastern European countries as well. A lead institution such as the UNDP (but also possibly another internationally recognized organization) can be a key motivator for state institutions, business and NGO sectors to implement CSR principles.
activists from various fields and which will probably ensure further CSR promotion in Lithuania. In 2015 the Network had 36 members.\(^{137}\)

In partnership with MSSL and stakeholders, the National CSR Promotion Programme for 2009-2013 was drafted and approved by the Lithuanian Government on 12 January 2010. UNDP mobilized the EC funds for regional projects, which, under coordination of UNDP Lithuania, consolidated Lithuania’s leadership in the CSR area among the new EU Member States and served as a centre for joint initiatives and training for other countries of the region. Cooperation with the academic community resulted in the pilot model of lecturing on CSR, which is used in some Lithuanian higher education institutions and promotes better CSR understanding among graduates. However in 2013 the National CSR Promotion Programme was not prolonged.

Although the questions of business responsibility and CSR are included in the 16\(^{th}\) Government’s Programme for 2012-2016, not much is done in the area of CSR since 2013, when the UNDP project office ended its active work in Lithuania. In April 2015 members of “CSR Network Lithuania” participated in the discussion organised by the Parliament of the Republic of Lithuania, where the law project of social initiatives were discussed. The law project was criticised by the members of “CSR Network Lithuania”. From their point of view, this law project has to be improved fundamentally.\(^{138}\)

**Contextual factors and conditions affecting CSR**

In a country with weak traditions in CSR, CSR promotion is unlikely to lead to quick results. Furthermore, as quick return on social investment is also unlikely to be expected, the general context of an economic downturn is not supportive of the growth of the CSR paradigm. CSR in Lithuania is also hindered by lack of understanding of CSR benefits not only in companies, but in state institutions as well. The latter, having a low awareness on the relationship between CSR and the sustainable economy and its importance for various country development indicators, as well as lacking capacities for optimal inter-institutional cooperation, are not inclined to act as examples to businesses by publishing their sustainability reports and by integrating CSR into public procurement. Our research showed that most researchers and stakeholders think that Lithuanian society as a whole does not fully understand the meaning and significance of CSR. It appears that there is insufficient pressure within the society for business to become more socially responsible, although consumers and international standards are a source of such pressure.

The CSR concept itself and its titles constantly change (recently the concepts of business sustainability and shared value creation have been emphasized by stating that the CSR concept is outdated), it has followers of various “schools of thought” in Lithuania, thus rather often it is difficult to bring them together for joint work under the umbrella of the CSR. UNDP used the CSR title because it is already known and understood in Lithuania, rather than introducing new concepts all the time, which would not be very helpful for better understanding.

The CSR area is still not accepted by a critical mass of competent and neutral organizations, which could engage in coordination of CSR promotion activities, be capable of working at government,

\(^{137}\) [http://csrbaltic.lt/tinklo-nariai/](http://csrbaltic.lt/tinklo-nariai/)

business, NGO and academic levels, and have a vision of a sustainable Lithuania and would actively seek to implement it.

Our research also suggested that challenges that hinder or prevent companies from (fully) realising CSR initiatives/plans in Lithuania are the low level of involvement and interest among stakeholders, financial concerns about the costs of CSR initiatives, and the lack of staff with skills and experience to implement CSR initiatives.

**CSR and media**

Social media is transforming the way in which companies report their Corporate Social Responsibility (CSR) performance. CSR in Lithuanian media appears rather seldom: for example when mentioning events such as National Awards of Responsible Business. The media in general tends to avoid criticising businesses and this could be related to their commercialization and dependence on advertising orders from the business community. All in all, the lack of any discussion of CSR in the media diminishes its potential to pressure companies to improve their practices or to incentivize responsible individuals, and this undermines the role of CSR as a regulatory mechanism (Idowu et al, 2015). Recent trends such as moving from one yearly CSR report to multiple reporting throughout the year have not yet reached Lithuanian business. The use of social media channels in the CSR field, however, is becoming commonplace. Globally, the number of major companies with social media channels dedicated to CSR increased from 60 in 2010 to 176 in 2012. 48 of the top 100 companies were based in the United States, 43 in Europe, and seven in the rest of the world (Yeomans et al., 2013). In Lithuania this tendency is not so pronounced yet there is already a common practice to use social media channels to communicate CSR efforts: Facebook, Twitter, YouTube, Pinterest, and blogs.

**Consumer awareness and trust of CSR**

Research on the influence of CSR on consumption decision in Lithuania mentions several interesting findings. Firstly, socially responsible consumption is more concerned with the ethics of care; ethical and moral factors influence consumer choice. There are possibilities for companies to identify and act on the basis of complex consumer buying choices that balance personal and ethical consumerism circumstances. Secondly, price, quality, convenience and brand awareness is still the most important factors affecting consumption decisions. Although consumer attitudes to socially responsible consumption have become more positive, this approach often does not reflect real consumer behaviour - consumers continue to buy goods on the basis of personal satisfaction factors personal rather than social reasons. Thirdly, the majority of respondents consider themselves as socially responsible consumers, but in consumption decision-making they rarely take into account the socially responsible actions of business. This discrepancy occurs due to the lack of information, mistrust of socially responsible business practices, and the higher prices of products related to CSR initiatives (Juscius and Sneideriene, 2013).

**Recommendations**

- **To the government**

  - Considering the rich Lithuanian recent experience and expertise in promoting CSR, Lithuania could become a CSR excellence centre, which would engage in initiating and testing the newest innovations in the region, share experience and knowledge and bring countries and partners together for joint practice, research and projects. Hence it is reasonable to consider the possibility of establishing an independent centre or subdivision
under MSSL or Ministry of Environment, which would be responsible for promoting CSR in Lithuania, organizing training, monitoring progress, drafting legislation and promoting international cooperation in this field (including initiation and coordination of regional projects with a view to transferring Lithuanian experience to other countries).

- The government should take the initiative to more actively motivate and promote the application of CSR principles at state and municipality institutions and offices, thus using ESF project results at the state level and showing example to the private sector.

- The CSR progress monitoring system should be practically implemented by creating company motivation mechanism to provide data, and initiate the creation of such monitoring systems in other countries which are willing to share experience and compare their achievements. The activity oriented towards CSR promotion outside Lithuania would help the country maintain the leadership position, and would also motivate companies.

- Considering CSR significance for sustainable development, sustainable economy and good governance of the country, it is suggested to consider the possibility to appoint a CSR Advisory Council acting under the government on a voluntary basis, which could provide advice to the government on different issues within the CSR context. Such a council could be formed on the basis of members delegated by “CSR Network Lithuania”, which includes specialists from different areas.

  - To business

- The innovations related to business sustainability should be promoted – CSR activity should be viewed as having potential and also an obligation to bring economic benefits to companies in short-term, mid-term and long-term perspectives. While developing new CSR initiatives which create real benefits, relevant management staff time resources should be allocated in the same manner as it is done for other company investment projects or strategies. That means that development of CSR initiatives should be treated as strategic initiatives related to general improvements of the business model.

- As the survey on economic benefits of CSR showed, it is necessary to evaluate CSR activity which is being or will be implemented through the perspective of its biggest impact. For example, it is good when a bank is engaged in saving paper and electricity, but providing cheaper loans for energy-efficient and innovative environmental projects is more effective.

  - To education

- CSR modules should be compulsory in all study programs at higher education level. These modules should be taught by practicians. CSR modules at vocational training level would be welcome as well.

- General ideas of CSR should be presented even at secondary schools.

**Education and training in the CSR field in Lithuania**

With the globally increasing awareness of sustainability, development and how the international market affects everyone and our planet, the topic of CSR is rapidly becoming an essential part of the field of business (Turker et al., 2016). CSR issues have started to be recognized by Lithuanian scholars since the beginning of the twenty-first century. Research topics most often address various
aspects of CSR in business rather than the role of government and NGOs in the CSR field. During the past decade a lot of activities were initiated in Lithuania and funded by the European Social Fund. Representatives from many different financial, business and other sectors took part in the workshops, focusing on business environment, sustainability and CSR itself. Under this influence, educational programmes and courses investigating social responsibility emerged. Nowadays there is a clear intention of the universities to be involved in CSR activities.

Higher education institutions (HEIs) provide knowledge on CSR. During the studies in different fields, but especially in economics, finance and management, students examine the social, ethical and environmental questions faced by today's corporations and learn to analytically evaluate issues, initiatives, drivers and responses that have become key to international success in the business world. Graduates having completed related courses are highly qualified to advise companies and organisations on successful policies aimed at giving back to the community, and thus bettering a company's image.

However, in the majority of Lithuanian HEIs CSR issues are only incorporated into other disciplines. Only several HEIs have a separate course of CSR in their study programmes:

- Vytautas Magnus University has it in study programmes of „Economics“, „Business Finance“ and „Business Administration“ (bachelor level);
- University of Management and Economics – „Finance“, „Business Management and Analysis“, „International Business and Communication“, „Management of Industrial Technology“ (Bachelor level) and „International Marketing and Management“ (Master level);
- Kazimieras Simonavičius University – „Entrepreneurship and Management“ (Bachelor level);
- Lithuanian University of Educational Sciences – „Service Business Administration“ (Bachelor level) and „Social Industries and Communication“ (Master level);
- Mykolas Romeris University – „International Business and Customs Logistics“ and “Organisational Management” (Bachelor level);
- Šiauliai University – „Economics and Regular Business“ and “Business Administration” (Bachelor level);
- Kauno Kolegija University of Applied Sciences – „Accounting“ and “Organisational Administration” (Bachelor level);
- Alytaus Kolegija University of Applied Sciences – „International Business“ and “Business Management” (Bachelor level);
- Klaipėda State University of Applied Sciences – “Organisational Management” (Bachelor level);
- Vilnius University of Applied Sciences – „Investment and Insurance“ and “Business Economics” (Bachelor level);
- Vilniaus Kooperacijos Kolegija – “Business Management” (Bachelor level).
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Annex 1: SROI - Social Return on Investment

SROI is a process of understanding, measuring and reporting the social value generated by the intervention of an organization. It compares the generated value (benefits) with the necessary expenditure (investment) to get it. The calculation of the value for money - the SROI ratio - is just the culmination of a process that requires the organization ability to understand all the components of creating social value. The SROI analysis involves six steps:

1. map the intervention;
2. identify resources and activities;
3. demonstrate changes and value;
4. assess impact;
5. calculate SROI;
6. communicate and integrate.

Source: Banke-Thomas, Madaj, Ameh, & van der Broek, 2014

Annex 2: CSR – concept, rationale and reporting

“Social responsibility (is the) responsibility of an organisation for the impacts of its decisions and activities on society and the environment through transparent and ethical behaviour that is consistent with sustainable development and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour; and is integrated throughout the organisation.” (Working definition, ISO 26000 Working Group on Social Responsibility, Sydney, February 2007)

The concept of Corporate Social Responsibility is directly linked to the development of the social role of companies, i.e. their voluntary commitment to strategies that demonstrate social and environmental concerns, through programs and other related practices to employees and society, in forms that promote social solidarity and sustainable growth (Kotler, 2005: 3). The logic of sustainability reporting is rooted in the doctrine of the “triple approach” (“triple bottom line”), namely that the success of a business can and should be measured not only by its profitability, but also from the social (ethical) and environmental performance (Elkington, 1997). The main argument is how companies should disclose financial performance and profitability, corporate social responsibility operation and environmental liability of the company.

In other words, the problem is how to integrate the 3 Ps: Profit, People and Planet (Elkington, 1997). Modern enterprises are in front of a dilemma: if they adopt CSR standards, production costs and vulnerability in the short term will increase, in case of an unpredictable event. If, however, they disregard the CSR scenario, they risk to see their public image collapse, with severe negative externalities. The innovative form of CSR through private partnerships with NGOs, on the basis

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of a common program, is a satisfactory scenario, because companies could benefit, both in terms of productivity and image.

CSR adoption and implementation, could be described as a voluntarily process, with pluses and minuses (Hopkins, 2004). More specifically, CSR reporting could contribute to the following:

- could help to avoid the overexploitation of labour, corruption and bribery cases.
- fraud companies would find it more difficult to compete through implementing lower standards.
- could bring many potential long-term benefits (reputation, branding, human resources) to companies profitability, growth and sustainability. Through the implementation of corporate responsibility, organizations could identify their strengths and weaknesses, compare their performance against the competition and promote the issue of best practices for the betterment of their future performance, through transparency and dissemination of reputational risk (SWOT analysis). Consequently, organizations could retain its “right” to operate from the wider society by maintaining stakeholders engagement and improving its image and credibility.

Despite the benefits, non-financial reporting contains a number of minuses, such as:

- operational costs, which rise more than the average level.
- opponents of the CSR concept claim that the real target of CSR is continuing profitability.
- additional bureaucracy, with rising monitoring costs in order to fully implement the process.
- reporting criteria variation by country, sector and company, in a degree that could produce non-comparable results.

The implementation sectors of CSR policies, are:

- Mission, Values and Vision of each company that complies to them
- Workplace climate
- Social dialogue
- Human Rights
- Working with local communities
- Developing local economies
- Surroundings
- Market
- Ethics

Some of the better known international instruments promoting CSR include:

- The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises

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140 http://cscrhellas.eu/?page_id=6003
• The International Labour Organization (ILO) Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and Core Labour Standards
• The UN Global Compact Principles
• The Global Reporting Initiative (GRI) Sustainability Reporting Guidelines
• The International Organization for Standardization (ISO) standards
• The AccountAbility AA1000 Series, and
• The Social Accountability International SA8000 standard

The GRI Guidelines

Despite its voluntary character, non-financial reporting does not avoid legal provisions and regulatory standards at the global level. The best known principles of behaviour are the UN Global Compact, the guidelines of the Global Reporting Initiative (GRI) and ISO 26000. None of the individual principles and standards is currently fully accepted. Nevertheless, GRI principles constitute the primary mover for non-financial, sustainable reporting.

Global Reporting Initiative (GRI) is a network-based non-governmental organization that aims to support sustainability and Environmental, Social and Governance (ESG) reporting, and is currently the industry leader in providing a set of voluntary principles of behaviour for companies, to produce social, non-financial reports. GRI was established in 1997 by the Coalition of environmentally responsible economies (Ceres) with the assistance of the environmental programme of the United Nations. In 1999, GRI published a draft version of Sustainability Reporting Guidelines and in 2000, the first complete version was published.

GRI produces the world’s most widely used sustainability reporting framework to enable this drive towards greater transparency, through a systematic process of consensus-seeking dialogue with a large range of participants including businesses, NGO’s, labour and mediating institutions. Users of GRI reports range from investors choosing where to invest and consumers wanting to know who they are buying from, to NGOs collecting information and monitoring corporate social responsibility reports.

The framework, which is continuously improved as knowledge of sustainability issues evolves, sets out principles and indicators that organizations can use to collect, measure and report their economic, environmental, and social performance.

UN Global Compact Principles to Guide Sustainability Strategy and Actions

The Global Compact (UN Global Compact) is the framework established by the United Nations in 2000 for companies that are committed to align their operations and strategies with ten world accepted principles in the areas of human rights, working conditions, the environment and anti-corruption. It sets a range of standards for three major stakeholder groups: environment, community (human rights), and labour. It should be emphasized that the Global Compact is a
Voluntary international initiative to the ten mainstream principles in business activities around the world. The 10 Global Compact principles are summarized below:

**Human rights**
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights, and
Principle 2: make sure that they are not complicit in human rights abuses.

**Labour**
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining,
Principle 4: the elimination of all forms of forced and compulsory labour,
Principle 5: the effective abolition of child labour, and

**Environment**
Principle 7: Businesses should support a precautionary approach to environmental challenges,
Principle 8: undertake initiatives to promote greater environmental responsibility, and
Principle 9: encourage the development and diffusion of environmentally friendly technologies.

**Anti-corruption**
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

### The Link between the GRI Guidelines and the UN Global Compact

The UN Global Compact and the Global Reporting Initiative (GRI) are complementary initiatives that can help enterprises of all sizes, in all fields and locations work towards sustainable development and create and publish transparent reports.

The GRI Guidelines provide corporations with a set of Principles and Standard Disclosures on strategy, profile, governance, stakeholder engagement, ethics and integrity, management approach and indicators to report sustainability impacts and performance both with competitors (organizations) and the body itself, during a specific timeline. These Principles can help corporations (Global Compact participants) to determine the Aspects and Indicators in order to form their report (COP), and help to ensure the quality and to create an appropriate presentation of information.

The UN Global Compact provides a principle-based framework to guide companies (participants) in the process of integrating human rights, labour, environmental standards, and anti-corruption in their strategy and operations.

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142 www.unglobalcompact.org
143 GRI- The Global Compact, Making the Connection: Using the GRI G4 Guidelines to Communicate Progress on the UN Global Compact Principles, [www.globalreporting.org](http://www.globalreporting.org)
Using the two frameworks together, companies can achieve key, complementary goals (The Global Compact):

- Embed sustainability strategy within universal principles rooted in international standards;
- Demonstrate commitment and actions in terms of policies, processes, and disclosure;
- Provide stakeholders with focused, comprehensive and credible information about sustainability impacts and performance;
- Standardize sustainability reporting.

There are two different types of Standard Disclosures: a) General Standard Disclosures and b) (Aspect) Specific Standard Disclosures (GRI- The Global Compact, Making the Connection: Using the GRI G4 Guidelines to Communicate Progress on the UN Global Compact Principles).

The General Standard Disclosures are applicable to all organizations preparing sustainability reports. Depending on the organization’s choice of “in accordance” option, the organization has to identify the required General Standard Disclosures to be reported, which are divided into seven parts:

a) Strategy and Analysis,

b) Organizational Profile,

c) Identified Material Aspects and Boundaries,

d) Stakeholder Engagement,

e) Report Profile,

f) Governance (structure),

g) Ethics and Integrity.

The Specific Standard Disclosures are organized by Categories and Aspects and need to be reported only for the material Aspects identified by the organization. Specific Standard Disclosures include:

a) Disclosure of Management Approach: Explains how the economic, environmental and social impacts related to material Aspects are managed. It provides narrative information on how an organization identifies, analyses, and responds to its actual and potential material economic, environmental and social impacts and provides context for the performance reported by Indicators,

b) Indicators: assess qualitative or quantitative information, about the results or outcomes associated with the organization that is comparable, during a timescale.

**Creating a Report Using GRI Disclosures**

One clear commitment that a company makes when it participates in the Global Compact is to produce an annual public report (COP). A COP is a public report (communication) to a range of stakeholders (consumers, employees, investors, media, government) on the progress the company
has made in implementing the ten principles in their business activities. COP provides a balanced and clear presentation of the organization’s activities, significant economic, environmental and social impacts, and the substantive expectations and interests of its stakeholders enabling stakeholders to assess the organization’s performance. A COP should include the following three elements:

a) Statement of continuing support for the Global Compact statement or message from the Chief Executive Officer (CEO), president, or another manager.

b) Description of practical actions undertaken by the participants since joining the initiative or since the latest COP, in relation to: (1) the application of the principles of the Global Compact, and (2) with partnerships to support the wider objectives of United Nations.

c) Measurement of outcomes or expected results, making use of the widest range of indicators, etc. such as the Guidelines of the Global Reporting Initiative (GRI).

The Principles of Materiality, Stakeholder Inclusiveness, Sustainability Context and Completeness are related to preparing an annual report. More specifically speaking:

**Materiality**

The report should cover Aspects that reflect the organization’s significant economic, environmental and social impacts or influence the decisions of a wide range of stakeholders. When using the principle of materiality, companies recognize that the ten principles within the four issue areas are material to them, reflecting significant sustainability impacts.

**Stakeholder Inclusiveness**

The organization should identify its target stakeholders and try to translate in qualitative terms how it has responded to their personal expectations and interests.

**Sustainability Context**

The report should present the company’s overall performance in the wider context of sustainability, meaning on the four-component area on fields of human rights, labour, environment and anti-corruption.

**Completeness**

The report should include sufficient coverage of material Aspects and their Boundaries, in order to fully reflect significant economic, environmental and social impacts, within and outside (internally and externally) the organization, and to enable stakeholders to assess the organization’s performance in the reporting period.

**ISO 26000:2010**

The ISO 26000 provides direction in business and unlike other well-known ISO standards do not impose conditions or requirements on companies. It is not a management system that touches

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certification issues. It helps businesses, regardless of activity, size or location, to implement clear actions for sustainability.

The standard was launched in 2010 following five years of negotiations between many different stakeholders across the world, which means it represents an international consensus (www.iso.org). The core of ISO 26000 consists of the following seven principles: governance, human rights, labour practices, environment, fair operating practices, consumer issues, and participation in local development communities (ISO 26000: Guidance on Social Responsibility, www.tuv.com).

Annex 3: Financial instruments suitable for SMEs channelled through financial intermediaries at national level

The Programme for Employment and Social Innovation (EaSI) maintains Progress Microfinance (continuation of the European Progress Microfinance Facility launched in 2000). It increases the availability of microcredit for setting up or developing a small business – i.e. loans for up to 25,000 euro. The facility does not directly finance entrepreneurs; it enables selected microcredit providers in the EU to increase lending by issuing guarantees (sharing the potential risk of loss) or by providing funding to increase microcredit lending. EaSI MicPro - https://webgate.ec.europa.eu/easi-micpro/Jasmine.jsp - provides information about microcredit providers in eligible countries. The Social Entrepreneurship section of the Microfinance and Social Entrepreneurship axis of EaSI will in addition fund capacity-building of microfinance institutions and will support the development of the social investment market (http://ec.europa.eu/social/main.jsp?catId=1084&langId=en).

The Programme for the Competitiveness of enterprises and SMEs (COSME) 2014-2020 will enable SMEs to access finance in all phases of their lifecycle – creation, expansion or business transfer. Support is provided in the form of loan guarantees, loans and equity capital in the amount < 150,000 euro (https://ec.europa.eu/growth/smes/cosme_en).

"InnovFin – EU Finance for Innovators" (in the framework of Horizon 2020 Framework Programme for Research and Innovation) will provide various tailored products – from guarantees for intermediaries that lend to SMEs to direct loans to enterprises with the purpose of supporting research and innovation projects (http://www.eib.org/products/blending/innovfin/).

The SME Instrument (in the framework of Horizon 2020) will fund innovation projects aimed at SME growth. SMEs are eligible to apply under the section Industrial Leadership, "Innovation in SMEs" (http://ec.europa.eu/programmes/horizon2020/h2020-section/innovation-smes). Both direct financial support and indirect support for building innovation management capacity is offered.

SMEs active in the agricultural sector can receive further support under the Common Agricultural Policy of the EU: support is available for SMEs active in the European School Milk Scheme (http://ec.europa.eu/agriculture/milk/school-milk-scheme/index_en.htm) and the School Fruit Scheme (http://ec.europa.eu/agriculture/sfs/index_en.htm); SMEs directly involved in agricultural production are eligible for direct payments under the European Agricultural Guarantee Fund;
SMEs in rural areas are eligible for support under the European Agricultural Fund for Rural Development in accordance with national and regional funding priorities.

SMEs in Bulgaria, Spain and Malta can benefit from the EREM SME Initiative, which is a joint financial instrument of the EC, the European Investment Bank and the European Investment Fund. It provides partial risk cover for SME loan portfolios of originating financial institutions in order to stimulate intermediaries to provide SME loans (for Bulgaria: [http://www.eif.org/what_we_do/guarantees/sme_initiative/smei_bulgaria/index.htm](http://www.eif.org/what_we_do/guarantees/sme_initiative/smei_bulgaria/index.htm); For Spain [http://www.eif.org/what_we_do/guarantees/sme_initiative/smei_spain/index.htm](http://www.eif.org/what_we_do/guarantees/sme_initiative/smei_spain/index.htm); for Malta: [http://www.eif.org/what_we_do/guarantees/sme_initiative/smei_malta/index.htm](http://www.eif.org/what_we_do/guarantees/sme_initiative/smei_malta/index.htm)).

### Annex 4: ISO 26000:2010

ISO 26000:2010 covers the following dimensions of CSR practice:

1. Concepts, terms and definitions;
2. Background, trends and characteristics of CSR;
3. Principles and practices of CSR;
4. Core subjects and issues of social responsibility;
5. Integrating, implementing and promoting socially responsible behaviour within the organization itself and within its sphere of influence;
6. Identifying and engaging with stakeholders;
7. Communicating commitments, performance and other information related to CSR (ISO 26000, 2010)

### Annex 5: The EMAS certification process

The certification process for a company involves several steps

- Conducting an environmental review;
- Adopting an environmental policy;
- Developing an environmental programme;
- Establishing an Environmental Management System;
- Carrying out an internal environmental audit;
- Preparing an environmental statement;
- Registering with the Competent Body in order to be able to use the EMAS logo.

### References


Annex 1: Key national strategies and polices relating to the emergence and development of social enterprises (excluding the National Social Economy Concept)

Bulgaria’s National Reform Programme - 2015 update - in the parts concerning:

a) Labour market / Active labour market policies: active labour market policies are in the process of redefinition in order to achieve a stronger focus on the most vulnerable groups (young people not in employment, education or training; low-skilled and elderly workers; people with disabilities, long-term unemployed and persons from the Roma minority). The policy plans include a focus on employment and training of vulnerable groups on regional level and the provision of comprehensive services to the most vulnerable groups (National Reform Programme 2015, 16-21).

b) Access to quality inclusive preschool and school education of disadvantaged children, in particular Roma children, in line with the corresponding Strategy for Educational Integration of Children and Pupils from Ethnic Minorities (2015–2020): the main focus here is on upholding the right of children to education, and more particularly inclusive education in multi-ethnic environment, while also preventing dropping out of school.

c) Increasing energy efficiency and reaching a 16% share of renewable energy sources in the gross final consumption of energy by 2020 (National Reform Programme 2015, 52-53): even though there are no social enterprises dealing with energy efficiency or climate change issues yet, these policies are potentially relevant.


This strategy sets the following priorities in the field:

- employment opportunities and higher income through improved labour market participation;
- equal access to quality pre-school and school education;
- equal access to quality health care;
- elimination of the model and practice of institutionalized care model of care;
- sustainable and adequate of social welfare benefits;
- building capacity and better coordination in the fields of education, health, employment and social services;
- creating a more accessible environment in terms of physical access, institutional access, information and accessible transport;
- Improving the living and housing conditions of vulnerable groups and support for homeless people.

The National Strategy for the Integration of Roma 2012-2020

The strategy rests on the principle of promoting non-discrimination, multicultural environment, integration into society, transfer of best European practices and active civil society, participation
of local authorities and Roma people in the policymaking and policy implementation processes. It sets the following - admittedly very broad – priorities for social work with the Roma minority: education; health; housing and living conditions; employment; rule of law; non-discrimination; culture and media.

**Long-term Strategy for the Employment of People with Disabilities 2011-2020**

The strategy sets the following priorities:

- Creating opportunities for qualification and re-qualification of people with disabilities;
- Providing suitable forms of employment for people with disabilities, including secure employment, supported employment, normal working environment; home-based and distance work;
- Promoting autonomous business activity of people with disabilities;
- Creating accessible environment and transport for people with disabilities;
- Providing employment services and mediation for people with disabilities.


Among the priorities set, the ones that are relevant to business include:

- Use of less energy - increasing energy efficiency in consumption; utilization of the full potential for energy saving with emphasis on the building sector and transport; enhancement of the industry’s competitiveness through energy efficiency, including imposition of stricter standards, better labelling of appliances and devices and application of energy management schemes;
- Use of cleaner energy.

**National Strategy for the Environment 2009 – 2018**

Several broad long-term priorities following from the country’s strategic priorities in the environmental field can inform companies’ corporate social responsibility initiatives:

- Decreasing carbon footprint and assisting the process of adaptation to climate change;
- Decreasing water consumption;
- Preventing air, water and soil pollution in view of creating a healthy and clear environment and improving living conditions; decreasing noise in residential areas;
- Promoting energy-saving and environmentally-friendly technologies and ecological innovations and their integration into the production process;
- Promoting sustainable consumption;
- Promoting waste management;
- Promoting sustainable urban environments and sustainable transport solutions;
- Promoting sustainable tourism;
- Protecting cultural and historical heritage;
- Preventing the loss of biodiversity and the destruction of habitats;
- Raising awareness in society of sustainable development and the behavioural changes needed to achieve it.


Among the priorities set, the one that is relevant to business and is not already mentioned above is “social inclusion and demographic issues”, including job creation, inclusion of people in disadvantaged position, equal access to services in view of preventing social exclusion and social inclusion of vulnerable people from ethnic minorities.

Other policy documents relevant to the social role of business:

- National Strategy for Poverty Reduction and Promotion of Social Inclusion 2020 (2013);
- **National Strategy for the Integration of Roma 2012-2020**: setting broad priorities for social work with the Roma minority: education; health; housing and living conditions; employment; rule of law; non-discrimination; culture and media;
- National Strategy “Concept for Deinstitutionalizing of Children in Republic of Bulgaria”;
- Updated Strategy for the Demographic Development of the Population in Republic of Bulgaria 2012-2030;
- Operational Programmes also address the issue of social entrepreneurship and are expected to provide financial resources.

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**Annex 2: Past financial support schemes under the JEREMIE initiative of the EU**

The JEREMIE initiative targeted financial intermediaries. It was operational during the 2007-2013 **programming period and has closed at** the end of 2015. In Bulgaria, for-profit social enterprises could use two funds aimed at financing the start-up phase for innovative small and medium-sized enterprises (SMEs):

- ELEVEN ([www.eleven.bg](http://www.eleven.bg)) which managed a risk financing fund of 12 million euro. Individual SMEs could receive up to 25 000 euro support against shares in the company;
- LAUNCHub managed a risk financing fund of 9 million euro and targeted SMEs in the sphere of information and communication technologies. Individual SMEs could receive up to 200 000 euro support against shares in the company.

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**Annex 3: Networks of business and non-governmental entities leading initiatives aimed at alignment with global approaches or promoting CSR**

- The Bulgarian Business Leaders Forum was created in November 1998. Almost immediately it launched a project focused on creating a Code of Business Ethics to be adopted on a voluntary basis by companies operating in Bulgaria. The first draft of the Code was presented in
the autumn of 2000 and was consulted with high-profile political leaders in 2001. The Forum specializes in high-profile events and seeks to involve popular political and public figures in its promotion campaigns. For example, ‘Lead for Tomorrow’ is a project which is based on a series of lectures targeted at young talents and future managers in Bulgarian companies. The lectures are given by established business and political leaders such as the current Bulgarian president and CEOs of big companies. The lectures are also treated as networking events.

- A national network of companies, members of the initiative United Nations Global Compact was created in 2003. The main role of this network is to raise awareness of corporate social responsibility in Bulgaria. United Nations Global Compact Network Bulgaria has helped develop research on the issue. The network has carried out a number of projects and awareness raising campaigns. The latest one – “Responsible Choice” is specifically focused on raising consumer awareness and responsibility in Bulgaria.

- A Bulgarian Code for Corporate Governance was adopted in 2007 and popularized with the active support of the Association of Bulgarian Industrial Capital and the Association of Bulgarian Investor Relation Directors. It included a handbook of good practices in corporate social responsibility. The code is currently applied in the activities of 130 Bulgarian companies, most of which are publicly traded companies. It is, however, less popular with smaller companies and companies owned by the state or municipalities.

- Key non-profit organizations active in the promotion of corporate social responsibility are the United Nations Development Programme, the United Nations Industrial Development Organization, the Bulgarian Chamber of Commerce and Industry, the Bulgarian Business Leaders Forum the Confederation of the Employers and Industrialists in Bulgaria, the American Chamber of Commerce in Bulgaria, the Bulgarian Charities Aid Foundation.

- CSR Bulgaria - http://www.csr.bg/ - is a specialized network dedicated to promoting good practices and providing information and consultancy on relevant issues. The network maintains a focus on social projects and causes by presenting them to business partners. The network seeks to play the role of a mediator between the non-governmental sector and business. It maintains a CSR Portfolio focused on presenting the corporate social responsibility engagements and strategic plans of various companies. The website is a good source of news on corporate social responsibility.

### Annex 4: Incorporation of CSR and Sustainable Development issues in some of the leading Bulgarian Higher Education Institutions

Business Ethics is included as an elective course in the Bachelor Degree in Economic Management at Sofia University St. Kliment Ohridski. The Financial Management Bachelor Degree programme on its part includes a course on Financial Ethics and Deontology. The Applied Economics Master degree for Economists includes Social Policy as an elective course. At the Veliko Tarnovo University, Business Ethics, Environmental Politics and Environmental Economics are included as elective courses in the Bachelor degrees in International Economic Relations but not in Bachelor study programmes such as Marketing and Finances. A course on CSR is included in the Bachelor programme in Tourism.

At the University of National and World Economy, CSR is an elective course in the Business Administration Bachelor Degree. The Entrepreneurship Bachelor programme and the Administration and Management Bachelor programme include both a course on CSR and a course
on Sustainable Development. CSR is missing from the study programme in International Economic Relations but Sustainable Development is included. The Bachelor programmes in Business Economics and Economics of Tourism do not deal with CSR either but include courses on Sustainable Development. The Finance and Accounting Bachelor programme has a course on Business Ethics and the generic Economics Programme includes courses on Business Ethics and Sustainable Development. Most programmes in this leading economics university include an elective course on Sustainable Development even if CSR/Business Ethics is less common. AIESEC at the University of National and World Economy has been active on the CSR issue and has even developed an innovative project “CSR in practice” which provides opportunities for foreign students doing internships in Bulgaria to voluntarily promote CSR in Bulgarian firms. The project is implemented in cooperation with CSR Bulgaria, Sofia Chamber of Commerce and Industry, the Bulgarian Association for Human Resource Management and Development and the Business Club at the University of National and World Economy.

At the Svishtov Economics University, Business Ethics is taught in the Master’s programme on Economic Management but is not included for example in Master Programmes in Industrial Business Economics, Marketing, International Economic Relations. At the Varna University of Economics, the generic Business Economics Bachelor Programme does not offer a course on CSR or Business Ethics but covers Sustainable Development.

The Association of Bulgarian Tour Operators and Travel Agents has been active in efforts at integrating CSR and sustainable development into the professional competencies of future specialists in tourism and offers public lectures and online education for students.

### Annex 5: Recommendations on promoting social entrepreneurship and the social economy in Bulgaria

1. A law on social enterprises is welcome if it manages to clarify the definition and to eliminate fluctuations in definitions used by different public agencies for different purposes. It is especially vital that social services closely related and dependent on the budget of municipalities are separated from social enterprises. While both types are part of the social economy, for the purposes of policy making they present different problems and needs. Creation of a special legal form of a “social enterprise” in Bulgaria is not entirely justified, especially until there are no robust monitoring and impact assessment mechanisms in place to regulate preferential treatment and support schemes.

2. Development of both a methodology and institutional capacities (in terms of human resources and financial resources) for assessing social impact and a mechanism for monitoring is indispensable in order to target support and preferential treatment and avoid unethical behaviour and abuse. This methodology should not be based on the sheer number of people from vulnerable groups that are positively affected but also on their degree of social exclusion and the intensity of the social impact (e.g. introduction of requirements for submission of adequate social impact reports from the enterprises themselves, combined with external monitoring). The staff and resources of the Agency for People with Disabilities should be increased to allow it to perform adequate monitoring. In the case of social enterprises whose main social impact is employing people from disadvantaged social groups, stipulating both a minimum absolute number and a minimum relative share of employed representatives of the target group is highly advisable in order to filter out small firms with insignificant social impact.
3. Any public support or preferential treatment should target equally social enterprises engaged with people with disabilities and social enterprises solving other social or environmental issues. Currently, there is still a bias in favour of supporting the people with disabilities cause. The assessment and even recognition of social impact other than impact on vulnerable groups, namely environmental impact or social innovation potential, is severely underdeveloped in Bulgaria and should receive focused attention.

4. Support from Operational Programmes should develop clear requirements about the sustainability of the supported social enterprises. For example, the application stage could involve the development and assessment of “project exit strategy” where the supported social enterprise should outline concrete measurable plans for further fund raising or ensuring economic sustainability through business operations or sales. While this would not guarantee 100% sustainability of the supported projects it would at least ensure that applicants have a vision about a sustainable business model. At a later stage Operational Programmes should develop schemes aimed at supporting the scaling of social enterprises.

5. Potential introduction of a voucher model for social services – i.e. based on the principle that money follows the user and the user is free to choose a provider. Such a model would reinvigorate the care and social service sector and will allow innovative social entrepreneurial activities to be developed alongside municipal social service provision. Currently, this sector is fraught with much inefficiency related to the de facto municipal control over free social service provision and the situation leads to overall low quality of the services.

6. Disciplines such as social entrepreneurship, sustainable development and social innovations should be included in traditional economic and business study programmes at both higher education level and in vocational education and training. High quality coherent and focused training materials in Bulgarian need to be elaborated to overcome the lack of Bulgarian-language academic and policy literature on these topics.

Annex 6: Conclusions and recommendations on promoting CSR in Bulgaria

1. Corporate social responsibility in Bulgaria is still a mix of short-term ad hoc activities in the form of sponsorship, donations and social support campaigns and longer-term strategically planned engagements with selected social causes or social issues related to the company’s core business or products. Larger and/or foreign firms are more likely to perceive corporate social responsibility as part of a longer-term corporate strategy. Smaller firms frequently do not engage in social activities because they lack understanding of the real impact that corporate social responsibility will have on both society and the company itself. Awareness raising campaigns need to focus on clarifying this impact.

2. The dialogue between the state and business should be restructured by focusing on a clear, concise and practical agenda of the strategic policy directions in the socio-economic development of the country and the expected contribution of business.

3. The Ministry of Labour and Social Policy should update its strategy on CSR.

4. “Green public procurement” should be encouraged by building the capacity of the staff of the contracting bodies to apply green public procurement rules and to handle assessment and criteria based on environmental impact and costs during the lifecycle.
5. NGOs should strive to improve their image and build capacities for collaboration with business on social causes. Business on its part needs to be sensitized to the benefits of cooperating with NGOs on social issues.

6. The protracted economic crisis is adversely affecting the ability of business to spend human and financial resources on corporate sponsorship and corporate social responsibility. Business, the state and non-profit actors would benefit if they adapt to this reality rather than attempt to neglect it. This might mean focusing on a smaller number of social initiatives in order to ensure their longer-term sustainability.

7. In order to “grow” a healthy community of responsible consumers, companies need to focus on communicating their CSR activities, including by giving them a more prominent place in their web presentations. The practice of striving for visible high-profile events and attracting celebrities is suboptimal in terms of costs and benefits and should be replaced by a protracted effort to educate Bulgarian consumers in responsible behaviour.

8. The state needs to provide more administrative and technical support for the adoption of EU certification schemes within the Bulgarian business environment.

9. More work needs to be done to establish a sound practice of measuring and evaluating the social impact of business. A key role in this process should be played by NGOs, the state and the academia. Business on its part needs to be sensitized to the benefits of reporting CSR. However, in order for any incentives to work, the state, the non-profit sector and business should work to create a culture of responsibility among Bulgarian consumers.

10. The subjects Corporate Social Responsibility, Sustainable Development and Social Innovation should be integrated into various economic study programmes specialized for different industries and business sectors. Parallel to this, these subjects should be given more pronounced attention in more generic study programmes such as economics, business, marketing and management. The subject of Corporate Social Responsibility should also be included in programmes in the field of of public policy, public administration and social work in order to facilitate the future partnership between the state, business and the non-profit sector. There is a need for high-quality adequate Bulgarian-language training materials in these subjects, including for the purposes of vocational education and training.
Annexes – Spain

Annex 1: Regional-level initiatives aimed at the promotion of social economy

- June 2016 Internationalization of the Social Economy Forum.

The Chamber of Commerce, Industry and Services has organised this Forum, whose objective is to explain to enterprises of the Social Economy the advantages of internationalization in the quest for improving competitiveness. 120 corporate representatives of Social Economy enterprises have attended the Forum.

- 2015-2016 Promotion and development of Social Economy Programme

The project examines all policies related Social Economy promotion and support developed by the Ministry of Employment and Social Security, managed by the Department for Self-Employment, Social Economy and Corporate Social Responsibility. The main aim is to strengthen Social Economy entities.

- March 2014 ETICOM-Som Connexió

Non-profit cooperative supplier of telephone and internet services.

- February 2014 Social currency EKHI

The organization Desazkunde which has started this project has 70 members and 22 business, all of whom are using this currency. The currency is based on environmental sustainability, equity and social and gender equality. These values have to be respected by all members and business who take part of the project.

- January 2014 Fides Etic Bank

A group of people in Badajoz have established this self-managed, non-profit association in order to support people who have not access to conventional banks. This small group of donors and partners raise funds to invest in viable projects, whose applicants cannot receive regular bank loans.

- 2011 Andalusian agreement for the social economy.\(^{148}\) A social pact concluded between the Andalusian Government, the Trade Unions and the Confederation of Entities for the Social Economy in order to facilitate and enable social entrepreneurship as well as to improve the policy environment for social enterprise. This agreement has sought to establish a framework to favour the creation of social enterprises. Some of the measures envisaged are the dissemination of the concept of social economy, the creation of new statistics dealing with entities of the social economy or the development of studies and research in the field.

- 2006 Andalusian Order\(^{149}\) establishing the basis for the development of social economy, aimed at the promotion of the social economy by supporting research and studies in this field. The support focused mainly on increasing the competitiveness of social enterprises.

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\(^{148}\) Agreement: http://www.juntadeandalucia.es/export/drupal/jda/III_Pacto_Andaluz_por_la_Economia Social.pdf

- Foundation of the social economy school (FIDES) aimed at promoting the development of social economy through research and education.

- Andalusia network of social economy foundation. This is an entrepreneurship policy tool providing technical assistance, training, guidance and access to capital.

- Programme for the promotion of the social economy Andalusia. This programme finances business creation, growth and expansion in Andalusia.

- Asturian Foundation for the Promotion of the Social Economy. Partially financed by the Government of Asturias, the Foundation advises entrepreneurs on how to establish a social enterprise, carries out research and issues publications on the topic, aims at the widest possible dissemination of the sector and provides education and training for professionals acting in the social economy.

- The Basque Observatory of Social Economy/Gizarte Ekonomiako Euskal Behatokia (OVES/GEEB) within the Basque Government and the Institute for Cooperative Law and Social Economy of the University of the Basque Country (UPV/EHU)\(^{150}\).

- 2007 Catalanian Order whose purpose is to provide investment support to increase the competitiveness of cooperatives\(^{151}\).

- Castilla and Leon awards for Cooperatives and social economy. These awards aim at recognising the contribution of people and enterprises to the development of the social economy in Castilla and Leon.

- Galician awards for the best initiatives in the field of cooperatives\(^{152}\).

- 2007 Valencian Order\(^{153}\) establishing a regulatory framework for granting of financial aid to cooperatives and worker-owned companies. It has provided investment support for start-ups or existing cooperatives wishing to grow.

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### Annex 2: CSR in Spain according to the 4th National CSR Congress

- CSR is a sustainable development strategy and implies continuous improvement and review. Its use is essential as a leverage for social and economic change.

- There is a need for transversal application of CSR by every agent and within all territories in view of promoting sustainable economy. Quality management and responsible consumption are part of the CSR perspective.

- The public administration must lead the way in promoting responsible business activity and should consider CSR as favourable factor when awarding contracts.

- It is fundamental to raise awareness through best practices. For this purpose it is highly beneficial to use professional conferences, dissemination through all kinds of media and use of IT (based on (Ebrópolis 2015, 4th CSR National Congress).

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\(^{150}\) Boletín Oficial del País Vasco, number 153, April 25th, 2008.


\(^{153}\) Order 35/2012, June 22nd, 2012.
Annex 3: Certification and labelling schemes, awards, seals, etc.

One of the main examples on social responsible certification comes from the CSR Association of Aragon (ARARSE\textsuperscript{154}), created in 2011. Through its own seal it promotes the implementation of training and assessment programmes and socially responsible management systems that include fundamental values such as human rights defence, measures against corruption, environmental protection and sustainable development.

Furthermore, there are several prizes and recognitions for socially responsible policies among Spanish companies. The annual \textit{Social Enterprise Award}\textsuperscript{155} stands out. Since 2012 it promotes business actions of strategic character, especially focused on stimulating CSR. The \textit{SERES National Awards}\textsuperscript{156} organized by the Responsible Society and Enterprise Foundation acknowledge the importance of innovative initiatives. At regional level, since 2004, Aragon’s Government promotes great socially responsible commitments\textsuperscript{157}. Other cities such as Sevilla\textsuperscript{158} promote their own Social Responsibility Awards.

Under the impetus of private corporations, Ibercaja Bank together with Heraldo Media organizes the \textit{Social Enterprise Awards}\textsuperscript{159}, which rewards those non-profit organizations or corporations that enhance general social benefits with outstanding programs and good practices. In addition, in 2015 Santander Banking has organized the \textit{CSR Research Award} and \textit{Best CSR brief essay}\textsuperscript{160}.

\footnotesize
\begin{itemize}
  \item \textsuperscript{154} Asociación Aragonesa para el desarrollo de la Responsabilidad Social Empresarial  http://www.ararse.org
  \item \textsuperscript{155} Mundo Ciudad Foundation http://www.premioempresasocial.com/
  \item \textsuperscript{156} SERES http://www.fundacionseres.org/Paginas/PremiosSERES2015/Home.aspx
  \item \textsuperscript{157} http://www.aragoninvestiga.org/instrumentacion-y-componentes-premio-aragones-a-la-responsabilidad-social-de-las-empresas/
  \item \textsuperscript{158} http://www.premio-rse.es/bases/
  \item \textsuperscript{159} http://premioempresa.heraldo.es/categorias/
  \item \textsuperscript{160} http://www.catedrasrscsantander.com/premios/
\end{itemize}
Annex 1: Historical context: origins of social enterprises in Portugal

The Portuguese solidarity practices are represented throughout history in many forms, starting in the XIV century, with the Mutuality of Beja, the Pedro Espano’s “Treaty on the Mutualism” in the XV century and the establishment of the first House of Mercy (“Misericórdia”) in Lisbon, in 1498. Further on, in the middle of the XVI century, the Brotherhoods of Mercy (“Confrarias”) were created featuring some characteristics equivalent to what we nowadays call mutual societies. Upon the development of emerging capitalism, new organisational forms of providing mutualism were created. The first Portuguese cooperative was the Fraternal of the Fabrics Manufacturers (“Fraternal dos Fabricantes de Tecidos e Artes Correlativas”), established in 1858 in Lisbon.

Less than 10 years later, on the 2nd of July 1867, Portugal became the second country to have a cooperative law. Its first article read "Cooperative societies are associations of an unlimited number of members, and indeterminate and variable capital, instituted for the purpose to mutually assist members in developing their industry, their credit and their domestic economy".

This moment was followed by the constitution of the Oporto’s Cooperative Society and Savings Institution (“Sociedade Cooperativa e Caixa Económica do Porto”) in 1871, that contemplated loans, the construction of housing for members, the purchase of raw materials for the industrial activities of the members and the marketing of these products and consumption. In 1888 cooperatives were autonomously integrated in the "Commercial Code" that remained in force for nearly a hundred years, until 1981.

According to Leite (1993), the history of the Portuguese cooperative movement can be divided into three different phases:

- The so-called “paternalistic” phase was the first, and it occurred between 1850 and 1910, when the State participated in the promotion of the cooperative movement;
- The "interventionist" phase was the second and, from 1926 until 1974, the cooperative movement was locked due to the authoritarian control of the dictatorship;
- The "democratic" phase was the third and it is associated with the introduction of the democratic regime and the inherent freedom of association. In this phase, the author distinguishes three periods:
  - a large growth in the number and diversity of cooperative type organisations;
  - the creation of a regulatory institution (INSCOOP) and specific legislation ("Cooperative Code" of 1981); and
  - the consolidation of the sector in the following 25 years, resulting in the creation of António Sérgio Cooperative for the Social Economy (“Cooperativa António Sérgio para a Economia Social” - CASES) in 2011, lead to a partnership between the State and the social economy sector’s official representatives and the establishment of a legal form of a "public interest cooperative".
Annex 2: The Social Economy Law

The Social Economy Law (8th of May of 2013) establishes the fundamental legal framework of the social economy and the measures to incentivize the sector. The law develops the two principles regarding the cooperative and social sector embedded in the Portuguese Constitution: the principle of a plural economy and the coexistence of various economic sectors (including the public, the private, and the cooperative and social) (Art. 82, 85).

This law identifies the groups of organisations that are included in the social economy concept:

a) Cooperatives  
b) Mutuals  
c) Houses of Mercy (mercies)  
d) Foundations  
e) Other private institutions of social solidarity not mentioned before  
f) Associations with altruistic aims that act in the cultural, recreational or sports sphere or in local development  
g) Entities in the communitarian and self-managing subsectors, integrated in the terms of the Constitution and active in the social and cooperative sector  
h) Other entities with a legal personality, that respect the principles of the social economy, highlighted in article 5 of this law, and are registered in the social economy database, predicted in this law’s 6th article.

The status of Private Social Solidarity Institutions (IPSS) is special. Cooperatives, foundations and philanthropic associations may benefit, under special circumstances, from this status, upon requirement at the National Social Security; it is assigned, by definition, to mutual associations and mercies, according to the Decree-Law no. 119/83 of 25th of February.

To acquire such status, the entities must be non-profit, created under the initiative of individuals, in order to give organised expression to the moral duty of solidarity and justice among individuals and are not administered by the State or one municipal body. Their creation must aim, among others, to achieve the following objectives, through the provision of goods and services:

a) Support for children and youth;  
b) Support for the family;  
c) Support for social and community integration;  
d) Protection of citizens in old age and disability and in all cases of missing or decrease of means of subsistence or capacity to work;  
e) Promotion and protection in health, particularly by providing care preventive medicine, curative and rehabilitative;  
f) Education and training of citizens;  
g) Resolution of housing problems of the people.

The IPSS can, therefore, take many forms: charitable associations, associations of social action volunteers, mutual aid associations, charitable foundations and Brotherhoods of Mercy; in addition, they can also take the form of Unions, Federations and Confederations. The Houses of the People and Cooperatives may also be considered as equivalent to the IPSS status.

Annex 3: Legal framework for IPSSs
IPSS are ruled by Decree nº 119/83 of 25.02 (as amended by DLs Nos 9/85 to 01/09, 89/85 to 01/04, 402/85 of 1.10, and 29 / 86 to 19:02) that defines the current legal status of IPSS. This decree was repealed by Decree-Law No. 172-A / 2014 of 14 November. The following key changes were introduced:

- Improved definition of IPSS, highlighting the fact that their actions should be guided by compliance with the guiding principles of social economy, as defined in the Basic Law on Social Economy (Law No. 30/2013 of May 8);
- Clear separation between the main and instrumental purposes;
- Introducing rules that allow a more effective control of members of the management and supervisory bodies;
- Limiting the mandates of presidents of the institutions or positions equivalent to three consecutive terms;
- Clearer rules for the implementation of financial and budgetary autonomy as well as technical and financial balance.

**Annex 4: Entities supporting or responsible for the development of social enterprises**

- Ministry of the Economy
- Ministry of Solidarity, Employment and Social Security
- ‘Conselho Económico e Social’ – CES – (Social and Economic Council): a constitutional forum for consultation and social dialogue with the main objective to promote the participation of economic and social actors in decision-making processes of the sovereign bodies, concerning socio-economic matters. This forum is par excellence the space for dialogue between the government, social partners and other representatives of organized civil society (CES, 2015).
- ‘Conselho Nacional para a Economia Social’ – CNES – (National Council for Social Economy): an advisory body for evaluating and monitoring the level of strategies and policy proposals on issues related to dynamics and growth of the social economy. Some of the competencies of this body are to note the following:
  - To issue an opinion on the political structuring and development of the social economy sector and on the implementation thereof, by issuing opinions requested by the Government, or of proposals and recommendations on its own initiative;
  - To advise on legislative initiatives that directly or indirectly affect the social economy, on the request of government departments;
  - To propose to the Government legislative initiatives and discuss matters affecting the social economy or each of its components (CNES, 2015).
- ‘Cooperativa António Sérgio para a Economia Social’ - CASES – (António Sérgio Cooperative for Social Economy): its mission is to recognize, promote, stimulate, strengthen and upgrade the sector of social economy. Based on a true partnership between the state and industry organizations representing the social economy and assuming the legal
form of "cooperative of public interest", CASES’s purpose is to promote the strengthening of the social economy sector, deepening the cooperation between the state and the member organizations (CASES, 2015).

**Overview on the schemes/measures/regulations identified in Portugal**

<table>
<thead>
<tr>
<th>name (English)</th>
<th>original name</th>
<th>type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-operation Agreements</td>
<td>Acordos de Cooperação</td>
<td>financial support</td>
</tr>
<tr>
<td>Development of the National Network of Facilities and Services for Social Promotion (Measure 5.6 of POEFDS)</td>
<td>Desenvolvimento da Rede de Equipamentos e Serviços de Promoção do Desenvolvimento Social (Medida 5.6 do POEFDS)</td>
<td>financial support</td>
</tr>
<tr>
<td>Support to social and community development (Measure 5.1. of POEFDS)</td>
<td>Apoio ao desenvolvimento social e comunitário (Medida 5.1 do POEFDS)</td>
<td>financial support</td>
</tr>
<tr>
<td>Programmes of the Social Employment Market</td>
<td>Programas do Mercado Social de Emprego</td>
<td>others</td>
</tr>
</tbody>
</table>


**Annex 5: Scale, scope and characteristics of social enterprise (assessment of the degree of development of the social enterprise sector)**

In 2010, the National Institute of Statistics (“Instituto Nacional de Estatísticas” – INE) and the CASES developed a Satellite Account of Social Economy (“Conta Satélite da Economia Social” - CSES) for Portugal (INE, 2013), according to the model that CIRIEC International designed for the European Commission. This pilot study is a significant and detailed account of the social economy and third sector in Portugal.

Based on Article 4 of the Social Economy Law (8th of May of 2013) in the CSES report the Social Economy Sector was divided in five families: Cooperatives, Mutuals, Houses of Mercy, Foundations and Associations and other Social Economy Organisations (SEO).

The Portuguese Social Economy Sector is highly heterogeneous. The CSES report considered 55.383 units under the Social Economy Sector that represented 2.8% of the national total Gross Value Added (GVA) and 5.5% of FTE paid employment (PE). The Associations and other SEO represented 94% of the Social Economy Sector, the Cooperatives 4%, the Foundations 1%, the “Misericórdias” 0.7% and the Mutuals 0.2%

**Table 1** - Main indicators for families of entities of the Social Economy Sector. Source: INE, 2013 (adapted).
The majority of the Portuguese SEO develop their activities in the field of culture, sports and recreation (around 50%), followed by activities of worship and congregations (15.8%) and social work (14%). Other fields of action are also present in the sector, although with less than 5%: organisations for development, housing and environment (4.9%); professional, trade union and political organisations (4.7%) and teaching and research organisations (4.2%). Activities with smaller representation in number were related to health and welfare (1.5%); trade and services (1.2%); processing activities (0.7%); agriculture, forestry and fisheries (0.5%); and, lastly, the financial activities (0.2%).

In terms of FTE paid employment distribution per field of activity, however, the major contribution is by social work organisations (48.9%), followed by worship and congregations (15.8%), teaching and investigation (10.5%) and culture, sports and recreation (5.4%). In fact, the importance of social work organisations in this context is also reflected in the financial results: their activities represented 41.3% of the Social Economy’s GVA and 40.6% of the Social Economy’s total salaries.

Given the fact that some of the entities on the Social Economy Sector may have the IPSS status, the CSES also analysed the IPSS or equivalent organisations separately.

In the universe of over 55 thousand units, over 5 thousand had the IPSS status, the majority of which and a legal form of non-profit association (84.3%), followed by Houses of Mercy (6.8%), Foundations (4.2%), Mutuals (2.4%) and Cooperatives (2.3%). The majority of these organisations concerned the fields of social work (64.4%) and worship and congregations (19%).

The national Social Security produces annual lists with a brief characterization of the IPSS entities (Associations, Social and Parochial Centres, Foundations, Institutes of Religious organisation and Houses of Mercy/mercies), the Cooperatives and the Houses of the People.

In September of 2014, there were 5099 registered IPSS units at the Portuguese Social Security. More recently, in September of 2015, the number of registered IPSS in Portugal was 5085, a decrease of 14 institutions. In this past year, the number of Cooperatives of social solidarity
increased, from 108 in 2014 to 152 in 2015 and the number of People’s Houses decrease, from
152 in 2014 to 106 in 2015.

In 2010, the Portuguese Social Economy represented 2.8% of the national production and GVA. The SEO were responsible for 4.6% of employees’ wages and 5.5% of the FTE Paid Employment; and represented 2.4% of the Final Consumption Expenditure.

**Comparison between Social Economy and National Economy.**

<table>
<thead>
<tr>
<th>Aggregated Indicators</th>
<th>% of National Economy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>2.8</td>
</tr>
<tr>
<td>Intermediate Consumption</td>
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</tr>
<tr>
<td>GVA</td>
<td>2.8</td>
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<tr>
<td>Employees’ wages</td>
<td>4.6</td>
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<tr>
<td>Final Consumption Expenditure</td>
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<tr>
<td>Gross Capital Formation</td>
<td>3.2</td>
</tr>
<tr>
<td>Paid Employment (FTE)</td>
<td>5.5</td>
</tr>
</tbody>
</table>

*Source: INE, 2013 (adapted).*

When comparing the Social Economy Sector’s GVA and employment with those of some other sectors of the National Economy, its importance becomes clearer. In 2010, the Social Economy’s GVA was higher than that of other economic activities such as electricity, gas, steam and air conditioning; agriculture, forestry and fishing; and even agro-industry and telecommunications. The 5.5% of FTE Paid Employment achieved by the Social Economy in this year revealed that the employment capacity of this sector is higher than other sectors traditionally characterized as labour intensive.

The Social Economy’s importance may also be distinguished by its representation in the National Economy regarding the field of activity; for example:

- Artistic, performance and recreational activities; repair of household goods and other services - 16.7% of GVA and 25.4% of earnings;
- Public administration and defence; compulsory social security; education; human health activities and social support and financial and insurance activities - 7.6% of GVA and 8.6% of earnings.

The average wage of Social Economy employees is around 83% of the National Economy average, lower than sectors like the Financial Societies of Public Administration. However, a significant amount of the Social Economy’s GVA goes into employees’ wages (92.8%), an amount significantly higher than the national average (57.3%).

**Annex 6: Impact Measurement and Reporting for Social Enterprises in Portugal**
Impact measurement and reporting systems are not well developed in Portugal. Although there are periodic and ad hoc reports on the social economy and some statistics published with some delay by some institutions (such as INE, CASES, among others), effectively there is no measurement impact and reporting system for the activity of these entities or it is very rudimentary and in most cases is not disclosed. The CNIS (Confederação Nacional das Instituições de Solidariedade - National Confederation of Solidarity Institutions), has published in October 2014 one of the first reports on the social and economic impact of Portuguese IPSS – four case studies of four IPSS located in different regions of Portugal (two institutions located in municipalities in the interior of the country and two on the coast). But this report of course does not constitute a systematic assessment of the impact of IPSS in Portugal as whole.

The programme Social Impact (managed by CASES and Montepio), mentioned previously, intended to support 10 projects of civil society organizations aimed at developing and demonstrating their potential impact by SROI analysis - Social Return on Investment. The programme’s first edition was in 2013-14 and in 2015 was its second edition.

### Annex 7: Un-exhaustive list of relevant National Plans concerning CSR implementation

- V Plano Nacional para a Igualdade de Género, Cidadania e não Discriminação (2014-2017) - Retificação
- IV Plano Nacional para a Igualdade, Género, Cidadania e não Discriminação (2011-2013)
- II Plano para a Integração dos Imigrantes (2010-2013)
- Grandes Opções do Plano (2010-2013)
- Estratégia Nacional para a Segurança e Saúde no Trabalho (2008-2012)
- Estratégia Nacional de Desenvolvimento Sustentável (ENDS-2015)
- Plano Nacional de Acção para a Inclusão (2006-2008)
- Programa Nacional de Acção para o Crescimento e o Emprego (2005-2008)

### Annex 8: State-led initiatives aimed at promoting CSR

The Institute for Small and Medium Sized Companies has launched the “Responsible SME” initiative. Stemming from an Equal project, the Institute promotes the adoption and enhancement of social responsibility practices in SME. The goal of the project is to set apart a group of SMEs
to test new CSR methodologies by enabling and developing gradual and structured changes in management. The pilot is targeted at SMEs that are interested in taking first steps in CSR and experimenting with new tools for optimizing their social responsibility performance.

The “Green Growth Initiative” is a current Government flagship initiative. Set against a framework of very tight budgetary restrictions, the initiative sets out policies, goals and targets to promote a new development model that reconciles economic growth with a lower consumption of natural resources, social justice and quality of life. A number of 13 quantified targets to 2020 and 2030 were set, to be reached through the application of 83 measures distributed by 10 high level themes.

Annex 9: Guidelines on certification relevant in Portugal

- **SA 8000:2008 – Social Responsibility.**
  The SA8000 is not exclusive to Portugal. It is an international (auditable) social certification standard for the workplace, based on the UN Declaration of Human Rights, on the convention of the International Labour Organisation, and national law, and spans industry and corporate codes to create a common language to measure social performance. It takes a management systems approach by setting out the structures and procedures that companies must adopt in order to ensure that compliance with the standard is continuously reviewed. Those seeking to comply with SA8000 have to adopt policies and procedures that protect the basic human rights of workers.

- **ISO 26000 – Social Responsibility Guidelines**
  NP ISO 26000:2010 is a non-certifiable norm. Notwithstanding it allows companies to use the reference “this organisation follows ISO 26000 procedures”. Considering the topic, the development process of the norm was different from usual, as preparation involved a broad debate among experts. The ISO 26000 standard aims at helping organisations to contribute to sustainable development, encouraging them to act beyond legal compliance. It is also targeted at core business activities instead of philanthropy-based actions. The norm is underpinned by seven Social Responsibility principles: ownership, transparency, ethical conduct, respect for stakeholders’ interests, respect for the State-of-Law, and respect for international regulations on Human Rights.

- **NP4460-2007 (part 1 and 2) – Ethics in organisations**
  The NP4460-2007 is a guideline norm, non-certifiable, created by APEE (Portuguese Association for Business Ethics). Although it is a norm, it does not purport to certify the Ethics level of a business, for its complexity and fuzzy conceptual borders. This national norm stems from a need to develop guidelines on the topic that allow the development of a common language, the definition of customised ethic codes, involvement of internal staff and third parties, and allow the development of a living document that is owned by the corporations.
The norm is divided in 2 parts. The first part (NP4460-1-2007) is a guideline to the incorporation of Ethics in businesses. The second part (NP4460-2-2007) is a practical guide for Part 1 interpretation.

– **NP 4469 – Social Responsibility Management System**

The NP 4469-1:2008 is a national norm, certifiable, prepared by APEE. The norm assumes that "Social responsibility in an organisation consists in taking responsibility for the impacts of one’s decisions, activities and products, fostering an ethical and transparent behaviour consistent with sustainable development and society’s welfare."[^161]. The goal of the norm is to encourage and guide organisations for social, responsible action, in the framework of sustainable development challenges.

[^161]: (Associação Portuguesa para a Qualidade, 2012).
Annex 1: Survey among researchers

Thirty questionnaires have been given to academics (faculty staff, students and researchers) in order to gain some information of the level of awareness and familiarity with the concept of social entrepreneurship, as well as to try and identify perceptions on problems and possible solutions for the creation of social enterprises. While the answers given cover a wide range of approaches to the subject, some conclusions can be drawn. These include:

- all researchers asked stated that they are familiar with the term social entrepreneurship; at the same time they all believed that social entrepreneurship is not adequately developed in Greece;
- the majority of the researchers believe that the current economic crisis has a negative impact on social entrepreneurship, mainly because of the lack of funding and the difficulties that social enterprises face when trying to access funding sources;
- about one third of respondents have a different opinion, stating that the economic crisis has a positive effect on the creation of social enterprises, viewing them an alternative to a strained economic model;
- regarding the role of the government, suggestion include update of the relevant legal framework, implementation of information campaigns, conferences and training seminars, start-up support services for social enterprises and fiscal incentives and access to funding for social enterprises;
- according to most researchers asked, the value added by social economy is the inclusion of vulnerable groups in the labour market and bottom-up action in order to achieve sustainable development and promote awareness and responsibility in society;
- almost all respondents agree on the fact that the relevant ecosystem is not well developed and that local authorities do not have the capacity to deal with and support social enterprises;
- it is a common perception that social innovation in Greece is very limited;
- most researches feel that education on social entrepreneurship is seriously lacking in tertiary education institutions, but in vocational training there is extensive increase of the focus on social enterprises due to support programmes such as TOPSA and TOPEKO.

Annex 2: Greek examples of CSR implementation and its reporting (according to companies’ official reports)\textsuperscript{162}, in compliance with the Global Compact

\textsuperscript{162} http://www.globalcompactnetworkhellas.gr/portal/index.php?option=ozo_content&perform=blogcategory&id=39&Itemid=119&lang=
Aget - Lafarge Group\textsuperscript{163}

As far as Environmental performance (Management Approach) is concerned and in accordance with the United Nations Global Compact principles:

- 9.7\% of the company's materials are recycled input materials. The company assesses the impact of products and services on health and safety during their production, transport and use. Moreover, products are labelled accordingly and safe instructions are provided to users.

Concerning the Labour practices and decent work (Management Approach), related to the United Nations Global Compact principles 3, 4, 5, 6:

- All employees are covered by Health and Safety Committees, with elected representatives in the plants.

Referring to Human rights (Management Approach), and more specifically to principles 1, 2, 3, 4, 5, 6:

- No incidents related to breach of the Code of Business Conduct principles concerning discrimination were reported through the business conduct line reported in Greece, Freedom of association, Child labor not a material issue in Greece, and compulsory labor not lawful in Greece.

Finally, regarding the Society (Management Approach), and Global Compact principle 10:

- The company undertakes a yearly assessment on impact and risks related to operations. In addition, local integration plans identify impact or areas of risks related to local operations and develop mitigation or action plans accordingly. Potential risk of corruption is fully covered by the regular processes of Heracles Company and of the wider Lafarge Group.

Aegean Airlines S.A.

AEGEAN, is another company that follows Global Contact Principles. More specifically, in the basis of the company's publicized report (COP 2009), and regarding the ten Global Principles, the company:

- PRINCIPLE 1: supports and respects human rights in conducting its activities where it operates.
- PRINCIPLE 2: is not complicit in direct, beneficial or silent human rights violations.
- PRINCIPLE 3: supports the freedom of association and the effective recognition of the right to collective bargaining, in compliance with national standards and regulations.
- PRINCIPLE 4: supports the elimination of all forms of forced and compulsory labour, not use or employ forced or compulsory labour.
- PRINCIPLE 5: supports the effective abolition of child labour, due to the fact that
the company implements a clear policy regarding the minimum age for employment, which complies with national laws.

- PRINCIPLE 6: is ensuring equal treatment and opportunities for all our employees.
- PRINCIPLE 7: has established an Environmental Policy Program.
- PRINCIPLE 8: has achieved ISO 14001/2004 certification for passengers’ service and aircraft maintenance.
- PRINCIPLE 9: watches the efforts for the development of new technologies and their potential applications.
- PRINCIPLE 10: is in compliance with anti-corruption standards and maximum transparency practices.

**Aktor S.A.**

Concerning environmental and corporate social responsibility issues, AKTOR has adopted the following practices - actions:

- Protection of the environment with the implementation, certification and continuous improvement of the Environmental Management System according to EMAS and ISO 14001:2009.
- Protection of the employees with the implementation, certification and continuous improvement of the Occupational Health and Safety Management System according to OHSAS 18001.
- Sponsorship of the organization of scientific conferences of the Technical Chamber of Greece.
- Donation of computers to financially weak organizations.
- Financial assistance for sporting activities and promotion of sports.
- Donations to municipalities and communities at the areas where projects are executed, i.e. road concreting, asphalt paving landscaping of squares etc.
- Support of the public authorities with provision of equipment and personnel in emergencies, such as fires, flooding, snow, etc.

**Intracom Holdings**

According to INTRACOM's Social Responsibility report\(^{164}\) :

- Referring to Human rights (Principles 1, 2), the company has to show well treated employees, compensated financially and morally based on their achievements and work, and no discrimination phenomena.
- Concerning Labour rights (Principles 3, 4, 5, 6), the employees' union was...
established in 1984. Also, a two-way communication model exists, an open-doors policy has been implemented for better functionality, and diversity within teams is fulfilled. Furthermore, investment in human resources plays a basic role in the company's plan. A good example is the AIT (Athens Information Technology) education and research centre in telecommunication and information technology fields.

- Environmental issues (Principles 7,8, 9) are at the top of the company's tactics. An Environmental Management System for controlling the impacts of the company's activity, recycling and reusing programmes, is fully adopted.
- Last but not least, policies and practices for Anti-corruption phenomena (Principle 10) are implemented. Useful examples are the company's employee handbook, and the Code of business conduct and ethics.

**OTE S.A.**

In the following matrix, OTE presents its policies and practices in compliance with UN Principles:

<table>
<thead>
<tr>
<th>UN Principles</th>
<th>OTE policies and practices - compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Businesses should support and respect the protection of internationally proclaimed human rights.</td>
<td>Granting opportunities to all employees and full respect of human rights is an active policy at OTE. The company has set an internal regulatory framework for the protection of employee rights, including the Internal Personnel Regulation, the company’s Code of Conduct and the ‘Compliance Management System’.</td>
</tr>
<tr>
<td>2. Make sure that they are not complicit in human rights abuses.</td>
<td>The new Procurement policy has increased control mechanisms for OTE suppliers and supply chain.</td>
</tr>
<tr>
<td>3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.</td>
<td>The Internal Personnel Regulation states that freedom of political and philosophical beliefs are respected and ensured by the Company in the context determined by the Constitution and the Legislation. In practice the right to collective negotiations is upheld and protected in the best possible manner. All Company employees, without exception, are covered by agreements based on collective negotiations.</td>
</tr>
<tr>
<td>4. The elimination of all forms of forced and compulsory labour.</td>
<td>OTE’s Employment policies and Internal Personnel Regulation prevent and prohibit forced labour.</td>
</tr>
<tr>
<td>5. The effective abolition of child labour.</td>
<td>OTE’s Employment policies and Internal Personnel Regulation prevent and prohibit phenomena such as child labour.</td>
</tr>
<tr>
<td>6. The elimination of At OTE, there is no pay discrimination of any kind based on gender. The</td>
<td></td>
</tr>
</tbody>
</table>

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165 COP 2010
discrimination in respect of employment and occupation. Employees’ basic salary is calculated on length of service and educational level. OTE implements equal opportunities policies and transparent employee evaluation systems.

7. Businesses should support a precautionary approach to environmental challenges. OTE supports the precautionary principle by taking a proactive approach to measuring and reducing its environmental impact.

8. Undertake initiatives to promote greater environmental responsibility. Recording of ecological footprint and initiatives to save energy and reduce CO2 emissions.

9. Encourage the development and diffusion of environmentally friendly technologies. OTE promotes the use of wind turbines and photovoltaic systems in infrastructure projects, energy saving technologies in its operational buildings including telecommunication equipment.

10. Businesses should work against corruption in all its forms, including extortion and bribery. OTE’s Corporate Governance policy includes specific control measures to prevent bribery and corruption. The policy includes implementation bodies and mechanisms such as the Management Bodies, an Audit Committee, the Audit Procedures, and a whistle-blowing policy.

Contributing to broader development goals OTE is making a decisive contribution to building Greece’s broadband infrastructure and services, including making sure everyone in the country (remote areas, vulnerable groups) are reached in this effort. In 2010 OTE has systemised and increased its actions to promote the right and safer use of the internet. OTE has formed several long-term partnerships with NGOs to help children in need, students, the elderly and the disabled to have a better future and when applicable use new technologies to improve their lives.

TITAN
A general overview of the TITAN Group's strategy, referring to Non-financial variables, during three years’ time (2008-2010) could be the following:

<table>
<thead>
<tr>
<th>Non-financial variables</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct employment</td>
<td>6504</td>
<td>5903</td>
<td>6161</td>
</tr>
<tr>
<td>Man training per employee</td>
<td>23.5</td>
<td>20.4</td>
<td>30</td>
</tr>
<tr>
<td>Accident frequency rate direct staff</td>
<td>3.42</td>
<td>2.64</td>
<td>2.33</td>
</tr>
</tbody>
</table>
Direct emissions CO2 (kg per tone of product) 684.3 672.6 697.7
Environmental investments (mil. €) 26.6 20 27.1

TITAN Group’s practices have an impact on the increase of the employment and training programmes, while increasing the amount of environmental investments, for a better implementing of the global CSR policies.

**Piraeus Bank**

Since 2002, Piraeus Bank has consistently been meeting the FTSE4Good Index criteria. This international index was established by FTSE in order to provide investors with ratings of companies that implement Corporate Responsibility programmes. Since 2009, the Piraeus Group’s Human Resources Division is among the first corporate departments in Greece to have acquired the international certification ‘Investors in People’. Apart from its membership in the UN Global Compact, the Piraeus Bank has also signed the Statement of accession to the United Nations Environment Programme Finance Initiative (UNEP FI) in 2007. Finally, Piraeus Bank is the first Greek bank to sign the Statement of “Caring for Climate: The business leadership platform” under the UN Global Compact, whereby 378 businesses world-wide demonstrate leadership in mobilizing the market to deal with climate change.

**Principles and Commitments**

As far as CSR Principles are concerned, Piraeus Bank strategy is focused on a bundle of targets including the following:

- Returning part of the value generated by the Bank to its social partners within a strategically designed and systematic framework of social actions
- Customer support before and after product and service sales, with emphasis on the Bank’s consulting role
- Support of entrepreneurial initiatives aimed at the promotion of competitive fields with potential and prospects for growth
- Transparency in governance and organisational structures
- Adoption and realisation of best practices of governance and operation
- Symmetric and systematic information dissemination to the investment and business communities, media and NGOs.
- Development of a humane and responsible organisation, where competent and engaged employees work together to lead the market, innovate by adding value and ensure the prosperity and sustainability of the Group
- Continuous support of green entrepreneurship through development of new green
products and enhancement of existing ones.

- Development of strategies to improve the Group’s environmental performance and reduce its ecological and carbon footprints.

- Implementation of institutional and natural risk management procedures due to climate change and the development of evaluation tools.

- Support to individuals and businesses and strengthening of the market to better adapt to the effects of climate change.

- Active contribution to the promotion of Greek cultural identity via the creation of a museum network in Greece (events, educational programmes).

- Ongoing research programmes and publications relevant to the purposes of the Piraeus Bank Group Cultural Foundation.

- Safeguarding and highlighting of the Bank’s historical archive.

- Providing scientific consultancy to organisations and contributing to the shaping of cultural policies.

**XALYVOURGIKI**

XALYVOURGIKI is another company that follows Global Contact Principles. According to the company's report (COP 2009) and in compliance with the 10 Global Principles:

- **Principle 1:** In 2009, the company completed and implemented procedures concerning health and safety and the protection of the environment. Xalyvourgiki has received a “Good Practice Certificate” by the European Agency for Safety and Health at work for its participation to the EU campaign to promote Risk Assessment as the launch of systematic Safety and Health management.

- **Principle 2:** During 2009, an information exchange with company's business partners on the abuse of human rights has taken place.

- **Principle 3:** All strikes and work stoppages company's employees participated in during 2009, were related to national issues and not linked to internal business.

- **Principle 4:** Every employee undertakes specific duties and obligations relating to the position held, and is trained on a continuous basis. No overtime work occurs without the prior consent of the employee and no employee performs a task without adequate training.

- **Principle 5:** Security entrance checks performed to every incoming person assure no underage person enter to work. Employees turn directly to management for support for any family problem they may be encountering.

- **Principle 6:** During 2009, the scheduled internal and external training plan was completed.

- **Principle 7:** A concern for precautionary approach to environmental challenges is expressed through the participation as a founding member of SEVIAN (Association of
Hellenic Recycling and Energy Recovering Industries), where together with a number of large Greek industries, Xalyvourgiki attempt to find waste management solutions especially for the prevention and avoidance of waste production.

- **Principle 8:** the company studies the flora and fauna of the plant’s marine zone with the aid of the H.C.M.R. (Hellenic Centre for Marine Research). Every year an increasing quantity of waste is disposed of and recycled by authorised waste management companies (slags, used oils, electrical appliances, used tires, paper). Also, environmental training occurs on a continuous basis.

- **Principle 9:** The company has completely upgraded its mechanical equipment and building structures. All selected technologies are Best Available Techniques.

- **Principle 10:** In 2009, all the necessary internal procedures to ensure this principle were implemented, especially in the Purchasing Department. These procedures are entirely controlled and embodied to the company's information ERP-SAP system.

**INTERAMERICAN**

INTERAMERICAN, as a complementary action to its corporate responsibly practices, creates and delivers additional value for society, employees and the environment, by implementing from 2004 until today the "Life Actions" CSR plan targeted at: a) the insured, as defined by insurance business; b) its employees, from the position of employers' organization; c) the natural environment, in terms of the company's environmental footprint.

The themes in the plan mentioned above "encode" the areas of interest of the Company to develop social and environmental responsibility initiatives and actions, which find practical application in: a) educational - informative - interactive events (seminars, speeches, campaigns, publicity); b) services and utilitarian items to meet needs; c) financial support through sponsorships and donations; d) moral support.

As far as CSR implementation strategy is concerned and according to the company's official reports, INTERAMERICAN's policy is not to cut social contribution and environmental actions expenses, but to seek for alternative low-cost CSR practices (e.g. the free provision of services and participation in partnerships with low-cost budget). In fact, during the years 2008-2011, the company's reports present an increase in the expenses for CSR implementation policies, as follows:

<table>
<thead>
<tr>
<th>Total Expenses</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic contribution for CSR strategies (€)</td>
<td>178,422</td>
<td>208,080</td>
<td>226,844</td>
<td>245,638</td>
</tr>
</tbody>
</table>

The distribution of total cost per CSR issue during 2011, is presented in the matrix below:

<table>
<thead>
<tr>
<th>Category Practices</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Care for Health</td>
<td>17.60%</td>
</tr>
<tr>
<td>Category</td>
<td>Percentage</td>
</tr>
<tr>
<td>---------------------------------------</td>
<td>------------</td>
</tr>
<tr>
<td>Dealing with Risk</td>
<td>15.80%</td>
</tr>
<tr>
<td>Assistance for Vulnerable Social Groups</td>
<td>36.30%</td>
</tr>
<tr>
<td>Support for Culture and Education</td>
<td>19.10%</td>
</tr>
<tr>
<td>Environmental Protection</td>
<td>6.90%</td>
</tr>
<tr>
<td>Donations</td>
<td>4.30%</td>
</tr>
</tbody>
</table>

**Annex 3:** Global Compact Network Hellas members publishing social reports on an annual basis, starting from 2009
Corporate COPS
A.Γ.Ε.Τ. ΗΡΑΚΛΗΣ
AEG Airlines Α.Ε.
ΑΚΡΙΤΑΣ Α.Ε.
ΑΚΤΙΝΗ Η.Ε.
ΑΛΥΜΗ Α.Ε.
ΑΤΤΙΚΑ HOLDINGS Α.Ε.
ΑΤΤΙΚΗ ΟΔΟΣ Α.Ε.
ΒΙΟΡΑΛ Α.Ε.
BLUE CR MAMIDAKIS HOTELS
BROKINS - ΚΟΣΜΑΣ ΙΑΤΡΟΠΟΥΛΟΣ ΜΕΣΙΤΙΚΗ ΑΣΦΑΛΙΣΕΩΝ Α.Ε.
CENTRE FOR SUSTAINABILITY AND EXCELLENCE (CSE)
COCA-COLA ΕΛΛΗΝΙΚΗ ΕΤΑΙΡΕΙΑ ΕΜΦΙΑΛΩΣΕΩΝ Α.Ε.
COCO - ΜΑΤ ΜΑΧΙ Α.Β.Ε.Ε.
CONNECTIVE WORLDGROUP SOUTHEASTERN EUROPE
CONSOLIDATED CONTRACTORS COMPANY
COSMOS ALUMINIUM
COSMOTE - ΚΙΝΗΤΕΣ ΤΗΛΕΠΙΚΟΙΝΩΝΙΕΣ Α.Ε.
ΔΕΣΦΑ A.Ε.
ΔΗΘΥΝΗ ΑΕΡΟΠΛΗΜΕΝΩΝ Α.ΘΕΗΣ
DKG Group LTD
EFG EUROBANK ERGASIAS A.
ΕΛΛΗΝΙΚΗ ΑΕΡΟΠΟΡΙΚΗ ΒΙΟΜΗΧΑΝΙΑ Α.Ε.
ΕΛΛΗΝΙΚΑ ΠΕΤΡΕΛΑΙΑ Α.Ε.
ΕΜΠΟΡΙΚΗ ΤΡΑΠΕΖΑ ΤΗΣ ΕΛΛΑΔΟΣ Α.Ε.
ΕΝΕΡΓΗΤΙΚΑ ΚΙΝΗΤΕΣ ΤΗΛΕΠΙΚΟΙΝΩΝΙΑΣ Ε.Π.Ε.
INTERAMERICAN A.Ε.
INTEGRAC ENVIRONMENTAL TECHNOLOGY LTD
INTRACOM HOLDINGS
ΚΟΣΜΑΣ ΙΑΤΡΟΠΟΥΛΟΣ ΜΕΣΙΤΙΚΗ ΑΣΦΑΛΙΣΕΩΝ Α.Ε. - BROKINS - 3
MAMIDAIIL ΚΕΤΟΛ Α.Ε.
MOTOR OIL Α.Ε.
ΜΥΤΙΛΗΝΑΙΟΣ Α.Ε. ΟΜΙΛΟΣ ΕΠΙΧΕΙΡΗΣΕΩΝ
ΝΗΡΕΥΣ Α.Ε. ΙΧΘΥΟΚΑΛΑΣ ΕΙΣ ΧΙΟΥ
ΟΡΓΑΝΙΣΜΟΣ ΤΗΛΕΠΙΚΟΙΝΩΝΙΩΝ ΤΗΣ ΕΛΛΑΔΟΣ Α.Ε.
ΟΜΙΛΟΣ IDEALES
S & B ΒΙΟΜΗΧΑΝΙΚΑ ΟΡΥΚΤΑ Α.Ε.
SARP FACILITY MANAGEMENT Α.Ε.
SPRINT ADVERTISING Α.Ε.
ΣΤΟΧΑΣΙΣ Σύμβουλοι Επιχειρήσεων
ΣΥΝΕΔΡΙΟ ΒΙΟΜΗΧΑΝΙΩΝ ΒΟΡΕΙΟΥ ΕΛΛΑΣ
ΤΙΤΑΝ Α.Ε.
ΤΡΑΠΕΖΑ ΠΕΙΡΑΙΩΣ Α.Ε.
ΧΑΛΥΒΟΥΡΓΙΚΗ Α.Ε.
WIND ΕΛΛΑΣ ΤΗΛΕΠΙΚΟΙΝΩΝΙΩΝ Α.Ε.Β.Ε.
Annex 1 - Studies on CSR in Turkish academia

To observe the research and studies on CSR in academia, master and doctorate theses submitted to Turkish universities were analyzed according to the statistics provided by the Council of Higher Education. In total there have been 100 theses submitted, under the titles of “Corporate Social Responsibility” and “Social Responsibility” and more than 150 thesis submitted with different titles. 19% of all the theses were submitted by doctoral students. Although the number of submitted theses in this field is relatively low, it can be observed that there is a trend for the number to rise. Statistics show that subjects like social responsibility and business ethics have been the major focus of academic studies for a considerably long time; however, only after 2000 subjects like sustainability, social marketing, regional marketing, corporate reputation and corporate citizenship have appeared as the themes of academic research. CSR became a title for an academic thesis for the first time in 2002. This thesis shows, by using the responses of students, that CSR is not understood comprehensively and the conclusion is that usage of the term CSR in terminology can be problematic because of this ambiguity.

In the studies related to CSR, mostly case studies have been analyzed (21%). These studies focus on different sectors and were mostly conducted for regional CSR analysis. The second most widespread subject of CSR studies are employees (14%). Thirdly, CSR related studies analyze the relationship between public relations and CSR, and the relationship between financial performance and CSR (9%) (Graphic I). 30% of all studies focus on the SA 8000 social standard. Departments of business administration wrote 68% and departments of public relations wrote 11% of all CSR and social responsibility related theses (Graphic II). Other theses were prepared by other departments of social sciences such as managerial sciences, economics, labor economics, etc. These departments analyze CSR with different concepts. For the departments of life sciences and engineering, CSR appears as measurable standards and examination of managerial systems. Especially studies of environmental engineering related to the ISO 14001 environment standard, the ISO 18001 occupational safety standard and other studies related to carbon emission are significant. After the 2005 Kyoto Protocol, flexibility mechanisms started to become a thesis subject. After environmental engineering, industrial engineering and civil engineering are the most interesting departments for CSR studies. On the other hand, quality standards are mostly studied by departments of social sciences. It is observed that studies related to SMEs did not consider CSR intensively, especially as a matter of competitiveness. Moreover, social investment, CSR indexes (FTSE4GOOD), reporting, the UN Global Compact and Millennium Development Goals have not been studied as a research subject yet.
Graphic I – Academia (Themes of Researches titled as CSR/CR)

- Case Studies: 21%
- Employees: 14%
- General: 13%
- Public Relations: 9%
- Marketing: 9%
- Financial Performance: 9%
- Consumer: 5%
- Environment: 6%
- Ethics: 4%
- Reputation: 4%
- Women: 2%
- Quality: 2%
- Civil Society: 1%
- Corporate Citizenship: 1%

Graphic II – Academia (Departments interested in CSR)

- Business Administration: 68%
- Public Relations: 21%
- Others (Communication studies, economics, labor economics, natural sciences, tourism): 11%
Annex 1: Policy-making context for the development of social enterprises in Lithuania

The development of social entrepreneurship is among the priorities in Lithuanian policymaking. This direction is clearly defined in the Lithuanian Progress Strategy 2030 and the Lithuanian National Progress Programme 2014 – 2020. The National Progress Programme 2014 – 2020 seeks to promote and develop social innovation through the work of NGOs (social entrepreneurship, social clusters) and to promote social entrepreneurship, by establishing competency centres, good practice centres, accelerators, co-working spaces increasing mobility and other developing other measures. The Lithuanian National Entrepreneurship Action Plan 2014–2020 covers actions the implementation of which would ensure consistent growth of the entrepreneurship sector in Lithuania by creating a coherent and continuous entrepreneurship development system, conditions facilitating the start-up and development of business, improving business access to public services, the entrepreneurs’ image in society and promoting the entrepreneurship of target groups and social enterprise, with particular attention devoted to regions. The National Programme on Social Integration for Persons with Disabilities for 2013-2019, aims to create a harmonious environment for the effective development and social integration of person with disabilities in Lithuania and to ensure the implementation of national legislation relating to the social integration of persons with disabilities and their equal opportunities, and of the provisions of the Convention of the Right of Persons with Disabilities.

There are many initiatives and programmes to increase the popularity of social entrepreneurship, which are supported by the EU. For example, EU Programme for Employment and Social Innovation (EaSI) is a financing instrument at EU level to promote a high level of quality and sustainable employment, guaranteeing adequate and decent social protection, combating social exclusion and poverty and improving working conditions. One of the objectives of this programme is to increase the availability and accessibility of microfinance for vulnerable groups and micro-enterprises, and increase access to finance for social enterprises.

In Lithuania Public organization „Union of Disabled Social Enterprises“ implemented the project „Improving competitiveness for business of disabled people“ together with partners from Latvia, in accordance with the Latvian-Lithuanian cross-border cooperation program in 2007-2013.

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166 Lithuanian Progress Strategy 2030. Approved by the Government of Lithuania 2012-05-15  
(http://erawatch.jrc.ec.europa.eu/erawatch/opencms/information/country_pages/lt/policydocument/policydoc_0005)

http://www.3.lrs.lt/pls/inter3/dokpaireska.showdoc_l?p_id=439028&p_query=&p_tr2=2


170 The Employment and Social Innovation (EaSI) programme  

171 http://www.nsis.lt/en/98480
The main goal of this project is to enhance the competitiveness of social enterprises of the disabled persons in the project area (the cross border region between Lithuania and Latvia), with the ultimate objective of increasing the number of employed persons with disabilities.

Annex 2: List of activities not recognized as activities of a social enterprise:

1) Hunting, trapping and sharing experience or related services to such activities.
2) Mining and quarrying.
3) Beverage production.
4) Production of tobacco products.
5) Production of refined petroleum products and nuclear fuel.
6) Production and repairing ships.
7) Rent of construction or demolition equipment.
8) Selling vehicles, motorcycles and automotive fuel retail.
9) Wholesale trade and commission trade, except of motor vehicles and motorcycles.
10) Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods.
11) Transportation and storage.
12) Financial intermediation.
13) Real estate, rent.
14) Legal activities
15) Investigation and security activities.
16) Organizing gambling and betting activities.

Annex 3: Size of compensations and job-creation support available for social enterprises

The compensation is calculated as a percentage from the monthly pay (all types) payable to a person in a target group, however, without exceeding 2 times the minimal monthly pay (minimal monthly pay 325 EUR (from 2015-07-01)) approved by the Government and the amount of compulsory state social insurance contributions calculated on the basis of the pay amount. Compensation granted for each disabled employee in disability Group I or II or a medium level of disability or a disabled employee for whom a 30 to 55% disability level has been established accounts for 60% of the amount referred to above. Compensation for each disabled person in disability Group III and for each other employee from the target group accounts for 50% of the amount referred to above.

A job-creation grant covers up to 70% of total job creation expenses and up to 90% of expenses for establishing or adapting a workplace for a disabled employee. The amount of grant per job may not exceed 40 times the minimal monthly pay.
Annex 4: NGOs supporting social entrepreneurship

Avilys (translated as ‘NGO Beehive’) is a co-working space for NGOs and social innovators. Organizations active in this process include:

1) National Social Integration Institute - NSII (http://zmogui.lt/) - creates and applies social innovations that contribute to social integration of people from vulnerable groups. It has been running a number of social business initiatives for the last several years, including an annual summer camp for young social entrepreneurs in Antaliepte, since 2011. After receiving a small grant the NGO launched a social taxi project in Vilnius in 2012 (http://socialinistaksi.lt/). They own a car (they plan to expand and operate more cars) that can accommodate a wheelchair. The purpose is to provide subsidised taxi services for the disabled in Vilnius. Anyone from the target group can call the taxi and pay a flat fee for the transportation. The driver acts as a nurse and helps the passenger move in and out of the car. In 2014 the service expanded into other towns including Kaunas and Klaipeda. The service is partly subsidised by local municipalities. However the service fee is not sufficient to cover the costs of the operation.

2) NPO ‘Geros valio sprojektai’ (translated as NGO ‘Goodwill projects’) administrates the crowd funding donation site ‘Aukok’ (www.aukok.lt), and the donation site ‘pagalbadaiktai.lt’. These online-based initiatives were created in cooperation with charity and support fund ‘Civic Responsibility Fund’ and could be used by social enterprises as an instrument for promotion and funding. They used to operate the free of charge social advertisement system ‘Pagalbareklama.lt’, but it is now closed;

3) Hub Vilnius - operates as a corporate co-working and networking centre for start-ups and social innovators; www.hubvilnius.lt

4) Charity and support fund ‘Civic Responsibility Fund’ (a successor of previous American NGO fund ‘Baltic American’ Partnership Fund’) - aims to develop a culture of philanthropy and provide some financial and expert support to NGOs and citizens’ initiatives; [www.paf.lt](http://www.paf.lt)

5) NPO Community Change Centre (a subsidiary of the former American NGO fund ‘Baltic-American’ Partnership Fund’) - works together with local communities and authorities to initiate social projects and strengthen existing NGO capacities at the local level.

Annex 5: Target groups whose employment is supported under the Law on Social Enterprises

Under the Law on Social Enterprises, employment in social enterprises of the persons who are attributed to at least one of the following target groups shall be supported:

1) the disabled with Group I, Group II or Group III invalidity or severe or moderate disability or the disabled whose capacity for work does not exceed 55% or who are rated as having high- or medium-level special needs (irrespective whether they are registered with a local labour exchange office or not);

2) the long-term unemployed who have been unemployed for more than two years since their registration with a local labour exchange office;

3) persons who are about to retire within five years, where they have been unemployed for more than one year since their registration with a local labour exchange office;
4) a mother or a father who alone takes care of and raises a child under eight years of age, where this person has been unemployed for more than six months since his registration with a local labour exchange office;

5) the persons who returned from imprisonment institutions, where they were imprisoned for more than six months and registered with a local labour exchange office no later than within six months from their release from a correctional institution, provided they are registered with the local exchange office for at least six months.

Annex 6: Survey results

The survey carried out in Lithuania shows that society in Lithuania is not well familiar with the term of social entrepreneurship (64% of the respondents said that they are not well familiar with the term of social entrepreneurship and 96% think that social entrepreneurship is not well developed in Lithuania). As the main challenges that hinder or prevent business in Lithuania from (fully) realizing initiatives/plans that have a positive social impact were mentioned that companies are primarily concerned with improving their financial and/or market situation (80% respondents), companies do not have staff with skills and experience to implement Corporate Social Responsibility initiatives or to seek social impact; they do not understand this area well enough (56% respondents), stakeholders (e.g. public authorities, media) are not sufficiently engaged or interested (44% respondents). When asked to identify the added value of social enterprises and socially responsible business compared with other business models respondents mentioned that business contributes not only to the company's stakeholders' interests but also to the implementation of the interest of a variety of public interest groups. It should be noted that most of interviewees agree that the social impact activities of business in Lithuania lead to social innovation (60% respondents), but at the same time they said that in Lithuania it is difficult to talk about social innovations, yet we keep up on technological innovation, rapidly commercialized innovation, or non-profit social initiatives. The lack of publicly available information about social enterprises and about the results of their activities tends to further prevent better awareness of the concept.

29 business representatives and 25 academic community (faculty member and students) representatives participated in the survey. The main results are the following:

- 97% of business and 72% of academic community are familiar with the term CSR; however only 36% of academic community is familiar with the term “Social Entrepreneurship”.
- 55% of business answered that CSR in their company is an additional activity.
- 72% of academic community thinks that our society is not familiar with, and does not understands correctly the term CSR.
- 88% of academic community thinks that CSR is not well developed in Lithuania.
- 52% of academic community thinks that there is little or no pressure in our society for business to become more socially responsible, but 24 % of academic community thinks that the pressure comes from consumers and international standards.
- According to business and academic community representatives, main challenges that hinder or prevent companies from (fully) realising CSR initiatives/plans are:
a) Stakeholders are not sufficiently engaged or interested;

b) Finance;

c) Companies do not have staff with skills and experience to implement CSR initiatives.

- 76% of academic community thinks that CSR and Social Entrepreneurship are not adequately taught at Lithuanian universities or Vocational Education and Training institutions.

- 72% of academic community could not recommend any company that has a good practice in the sphere of CSR or social entrepreneurship.
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