



SOCIAL ENTERPRISES AND MUNICIPALITIES: COOPERATION, PARTNERSHIPS & SYNERGIES

An analytical review of existing and possible cooperation and partnerships between social enterprises and municipalities in Latvia, Belarus and Sweden.

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The online version of this review is available on www.sua.lv, www.se-forum.se and www.odt-office.eu



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INTRODUCTION

Social entrepreneurship, an effective tool for solving social problems, is a rapidly growing sector in Europe. Even though it is still a relatively new concept in the Baltic States, Scandinavia and Belarus, each year there are more and more social enterprises tackling a multitude of social problems and challenges, offering a diverse range of solutions.

Social enterprises, as an interdisciplinary type of entrepreneurship, often face obstacles and challenges that conventional businesses and civil society organizations have already overcome: the lack of legal frameworks, complicated business models, enterprise identity issues, the lack of awareness in the general public, lack of visibility, difficulty in accessing investment markets. These challenges cannot be solved quickly. They require not only social enterprises themselves to come up with wise and effective solutions, but also a strong and functioning social entrepreneurship eco-system, which can respond with partnership based, long term integrated solutions.

Creating meaningful, productive and long lasting partnerships and cooperation modes with local municipalities is both a challenge and opportunity. Since the social issues, problems and challenges that social enterprises and municipalities are attempting to tackle are in many cases similar or the same, it would seem only logical that social enterprises and municipalities could and should be allies and partners in their work. In reality, however, it is not that simple – social enterprises and municipalities often struggle to find common ground, and the road to an effective and productive partnership turns out to be more difficult and time consuming than anticipated.

This publication aims to explore the issue of social enterprise and municipality partnership, cooperation and synergy in a practical and solution oriented way:

- In order to understand the role and place of municipalities and local authorities in the social entrepreneurship eco-system in Latvia, Belarus and Sweden, a short overview of the social entrepreneurship sector in each country has been included.

- Authors have looked at different social enterprise case studies to illustrate how social enterprises and municipalities work together in each country, highlighting both positive and challenging aspects, and drawing some lessons learned from people who have been involved in creating these partnerships.
- Finally, authors have prepared a set of recommendations for both social enterprises and municipalities, which can be used as discussion, action and communication points for social entrepreneurship eco-system stakeholders.

Even though this publication is based on the experience of three particular countries – Latvia, Belarus and Sweden – the authors hope that it will be useful for social entrepreneurship stakeholders across Europe and around the world. The authors welcome any feedback, comments or questions, and will be happy to discuss future partnership opportunities.

SOCIAL ENTREPRENEURSHIP IN LATVIA: COUNTRY OVERVIEW



DEFINITIONS AND LEGAL UNDERSTANDING OF SOCIAL ENTERPRISES

- The Social Enterprise Law was adopted on October 12, 2017 and will come into effect April 2018. The law stipulates that a social enterprise is a limited liability company with a special social enterprise status. In order to obtain this status, the company must fulfil certain criteria, among which is an obligation to have a positive social aim as the main purpose of the company, as well as a restriction on profit distribution to company owners. Profits must be either reinvested in the company or invested in reaching the social aim.¹
- Until the law comes into effect, entities and individuals continue to use various other organisational and legal forms in order to engage in social entrepreneurship - non-governmental organisations, associations, foundations, and “regular” limited liability companies, sometimes combining different legal forms in order to reach their goals.
- The multitude of entrepreneurial forms contributes to an incomplete understanding of what a social enterprise is, what makes it distinctive, and what the potential benefits of social entrepreneurship may be. Most notably, social entrepreneurship tends to be confused with Corporate Social Responsibility policies, which tend to be complementary corporate activities rather than the company’s essential purpose. Furthermore, there is a mistaken perception that social enterprises are primarily concerned with work integration (so-called WISEs).
- Nevertheless, a working definition of a social enterprise has emerged, used by people involved in the development of the sector. The definition includes features such as a specified social purpose, production of goods and/or provision of services, a measurable social impact and limits on the uses of profit/capital.
- Currently there is a special legal regulation for limited liability companies owned by associations that unite people with different disabilities - these companies do not have to pay any income tax. This special regulation will be abolished in 2018, when the new Social Enterprise Law comes into force. During the intervening year, these enterprises will be exempt from the enterprise income tax if at least 15% of profits are paid out to their members and they will be expected to become social enterprises.

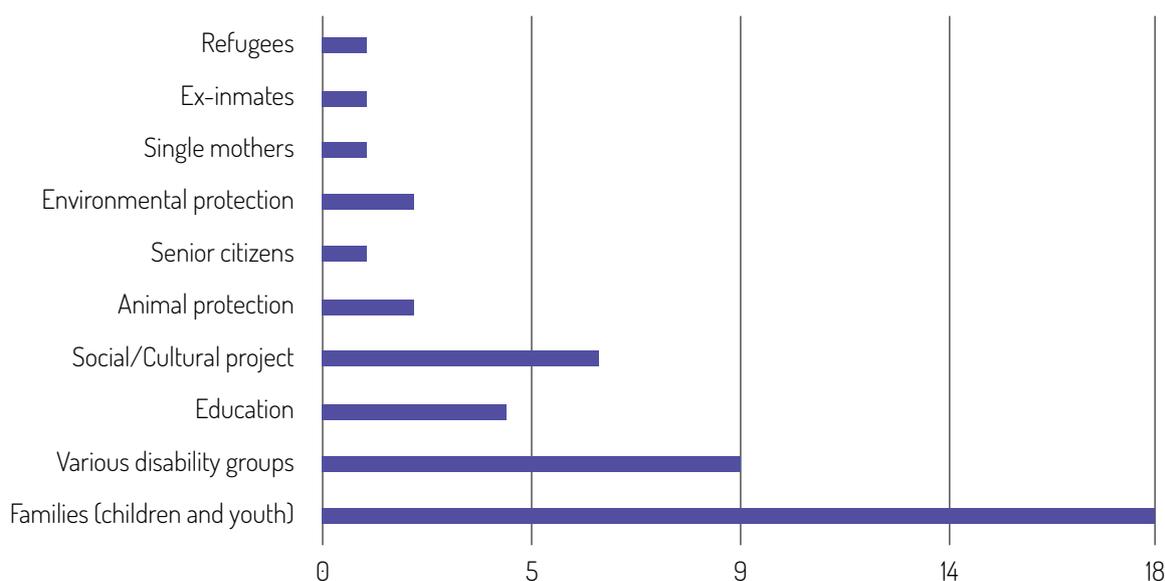
¹ See the Social Enterprise Law English version here: http://ej.uz/SElaw_Latvia

SIZE AND CHARACTERISTICS OF THE SECTOR

- There are no official statistics on the size of the sector and little research has been done that would clearly specify the characteristics of the industry. Calculations are complicated by the current variability of legal forms adopted by 'social enterprises'. However, it is estimated that around 120-180 social enterprises operate in Latvia. One report² in 2014 surveyed 1296 commercial entities and only 3% identified as social enterprises amounting to approximately 39 enterprises. The Association of Social Entrepreneurship in Latvia currently counts 46 existing and "soon-to-be" social enterprises among its members.
- The enterprises operate in various sectors including, but not limited to social services, production of goods, health services (including prevention), charity shops, environmental protection, cultural diversity & heritage, education, work integration, consulting, information, and communications.
- Similarly, the social enterprises work with a number of different socially vulnerable groups: senior citizens, children and youth, parents and teachers, people with impaired mobility or sight-impairments, single mothers, people with functional difficulties, former inmates and their families.
- There are no statistics available on the aggregate annual turnover of social enterprises, but it is likely not significant. Turnover of individual enterprises varies widely from a couple of thousand annually to a couple of million, depending on the size and the scope of the enterprise. It should be stressed that most social enterprises are relatively new, having been established only within the last 3 to 7 years, and usually do not employ more than five people.
- The social enterprises that are members of the Association of Social Entrepreneurship yields a probable representation of the distribution of activities across different sectors (see Table 1.1.). The results are only indicative, as target groups often overlap and cannot be neatly separated.

² Ministry of Welfare (2014), Konceptcija „Par sociālās uzņēmējdarbības ieviešanas iespējām Latvijā” (TA- 1807) http://www.lm.gov.lv/upload/aktualitates/null/lmkonc_271014_su_1_1807.pdf (accessed 11/09/17)

TABLE 11. SECTOR DISTRIBUTION



- There is a widespread tendency to employ people from vulnerable groups in the creation of arts, crafts and design objects. Social enterprises like *“Blind Art”*, *“Cerību spārni”*, *“DP Production”* and many others provide good examples. Even though they are able to provide good quality products, many of these enterprises struggle with marketing, sales and access to global markets.
- Generally, the social entrepreneurship eco-system in Latvia covers at least four separate areas: policy-makers and institutions; role-model enterprises; mentors, consultative and representational bodies; higher education and research institutions. All of them are involved in the development of the sector in various unique ways.

SUPPORT SYSTEMS AND MECHANISMS FOR SOCIAL ENTERPRISES

- Currently, the support system for social enterprises is rather fragmentary and does not emanate from a single institution. This means that there are various support mechanisms available to social enterprises according to their legal form – e.g. most non-governmental organisations and associations are public benefit organisations, which enables their supporters to claim tax deductions, while limited liability companies have access to state-guaranteed loans and business incubation programs.

- The new social enterprise law stipulates a number of benefits for eligible social enterprises: involvement of volunteers, certain tax reductions, and access to European Union funds.
- Furthermore, the new law enables municipalities to create and implement their own local support instruments - reduced real estate tax, permission for social enterprises to use municipality property for free, special financial support schemes or privileged public procurement procedures for social enterprises.
- Additionally, state subsidies are available to enterprises employing people with disabilities. The subsidy covers monthly salary, contributions to social security, and funds available for the modifications to the workplace.
- There are also a number of business incubator opportunities and grant programmes for SMEs. The entities receiving social enterprise status under the new law will also now be eligible for these programmes.
- In 2016, The Ministry of Welfare in cooperation with ALTUM, a state-owned development finance institution, launched a grant programme, whereby funds from the European Social Fund are allocated to prospective social enterprises. It is the first and only kind of programme so far whose results and impact will be significant factors in the formation of social entrepreneurship in general. The program will run until 2022, and will potentially create a basis for a future long-term comprehensive support system for social enterprises.
- The National Development Plan for Latvia (2014-2020) also endorses financial support for social enterprises.
- Finally, the Association of Social Entrepreneurship of Latvia serves as a national level advocacy organization for social enterprises, representing their interests at the national and local level, working together with policy and decision makers to create a well-functioning social entrepreneurship eco-system in Latvia.

THE ROLE OF MUNICIPALITIES

- While there is no one specific role municipalities undertake in relation to social enterprises, there are many ways in which municipalities can help and support their activities. Most notably among them are public procurements. As social enterprises directly improve the quality of social life, fulfilling a function traditionally assigned to public bodies, municipalities may procure their services. They may organise open competitions or, in absence of competition, simply delegate the responsibility to a social enterprise.
- While procurement of social services generally functions well and has been developing in a consistent manner over the past twenty years, procurement in other areas, like goods or other products, is not as developed. There is enormous room of growth, but currently a lack of awareness of best practices impedes this development.
- Municipal funding can also be released in the form of grants earmarked for specific target groups and their integration into the labour market. There are numerous ongoing pilot-projects running, but no data has as yet been collected to analyse the overall success of the initiative.
- A number of other tools are available to municipalities interested in supporting the social enterprise sector: they may offer office space free of charge, real estate tax concessions, organise educational and training events, as well as provide consultations to people interested in setting up a social enterprise.
- The new Social Enterprise Law also enables municipalities to create their own social enterprises as co-owners, under strict and limited circumstances: public bodies (alone or together with other public bodies) cannot hold majority shares in the enterprise; the municipality co-owned enterprises can only operate in the field of work integration. This particular norm is in effect only until 2021.
- The form of cooperation depends on the length of partnership, the professional competence of municipality officials, and their general interest in the services provided by the social enterprise. A significant factor is the willingness of the municipality to involve social enterprises in decision-making and policy formation. This is not always the case; awareness of the value and contribution of social enterprises still must be reinforced and further explained.

SOCIAL ENTREPRENEURSHIP IN BELARUS: COUNTRY OVERVIEW



DEFINITIONS AND LEGAL UNDERSTANDING OF SOCIAL ENTERPRISES

- Currently Belarus does not have any specific legislation regulating the activities of social entrepreneurs and/or social enterprises. Moreover, there are no legal definitions for the terms “social entrepreneurship”, “social enterprise”, or “social entrepreneur”.
- While the first prototypes of social enterprises in Belarus are rooted in the 1930s, Belarus has experienced several notable waves of interest in the development of social entrepreneurship in its modern understanding since the early 2000s. Inspired by different stakeholders inside and outside Belarus, this heightened interest led to numerous internships and study trips to Sweden, the United States of America, Estonia, Poland, and other states for aspiring and acting social entrepreneurs, resulting in the establishment of new social enterprises.
- As social entrepreneurship gradually developed, so did academic interest in this phenomenon. In 2015, a group of independent experts led by *ODB Brussels* agreed to start a pilot research project on Belarusian social enterprises. They began with a register of enterprises that can be classified as ‘social’, developed a questionnaire, and conducted a field study. The results of this work were presented at the 3rd National Social Forum³ that took place on 21-22 April 2016. Social entrepreneurship had separate section at the conference, and the final resolution of the Forum included recommendations on the development of the sector.
- Since spring 2017, the Research Institute of the Ministry of Labor and Social Protection of Belarus has been studying the ecosystem of social entrepreneurship and the examples of Belarusian social enterprises in order to provide recommendations on the development of the sector for the Ministry of Labor and Social Protection. Research and recommendations are being prepared in close consultation with the Working Group on the Development of SE in Belarus, which is composed of social entrepreneurs, experts, representatives of Belarusian CSOs, and relevant ministries. The conclusions and recommendations are due by the end of December 2017. Additionally, social entrepreneurship is mentioned in the National Action Plan for the Implementation of the

3 2016 3rd National Social Forum: Social Innovations against Modern Challenges was organized by the Dortmund International Educational Centre in partnership with ODB Brussels, (Belgium), International Educational Non-Governmental Organization “ACT” (Belarus), and the Educational Establishment Office for European Expertise and Communication (Belarus) with the aim to determine the main directions and priorities for the development of social sphere innovations in Belarus.

Provisions of the Convention on the Rights of Persons with Disabilities for 2017-2025

- The absence of a legal definition of social enterprise does not prevent social entrepreneurship from being realised through various other organisational forms, the most common being:
 - Commercial enterprises, established by non-profit organisations to solve problems of their target groups and fund the activities of the founding organisation. According to Belarusian legislation, NGOs are not allowed to conduct commercial activities; however, they can establish commercial enterprises and use their profits to fund the activities of non-governmental organisations.
 - commercial enterprises established by individuals to solve social problems;
 - individual entrepreneurs (a separate legal form in Belarus), who define themselves as “social” and primarily aim to solve social problems;
 - religious workshops of the orthodox and catholic churches (which can either be part of a church or a separate enterprise founded by church), seeking to provide employment and rehabilitation for representatives of vulnerable groups (such as people with alcohol and drug addiction, people released from prison);
 - joint commercial ventures, established with participation of foreign capital to solve social/environmental problems in a sustainable manner. These are mostly dependent on foreign investment.
- Similar to the situation in Latvia and Sweden, the multitude of entrepreneurial forms contributes to an incomplete understanding of what a social enterprise is, what makes it distinctive, what areas it covers, and what the potential benefits of social entrepreneurship may be.
- Nevertheless, there is a working definition of a social enterprise used by people involved in the development of the sector. The definition echoes the term suggested by the Russian private Foundation for the Development of Social Entrepreneurship “*Nashe Budushchee*” (Our Future): ‘*Social entrepreneurship is entrepreneurial activity aimed at solving or mitigating social, environmental, and cultural problems and risks*’.
- The definition includes a specified social purpose, production of goods and/or provision of services, a measurable social impact and limits on the use of profit/capital.

SIZE AND CHARACTERISTICS OF THE SECTOR

- Since social entrepreneurship is not considered a separate form of commercial activity in Belarusian legislation, there are no official statistics on the size and the activity of the sector. The variety of legal forms adopted by 'social enterprises' further contribute to the difficulty of establishing the number of social enterprises. The only research⁴ currently estimates this number at **182 enterprises**.
- Most of Belarusian social enterprises fully or partially meet the following European criteria:
 - 1) presence of social goals and social motives for economic activity;
 - 2) most of the profits are reinvested to achieve social goals;
 - 3) organizational independence of the enterprise from the state and traditional commercial organizations.
- At the same time, unlike European social enterprises, the Belarusian enterprises do not fully comply with the criteria listed below:
 - 1) Using social innovations, innovation tools and methods with the exception of newly established enterprises in 2015-2017;
 - 2) In Belarus, democratic governance principles that underlie the very spirit of social entrepreneurship in European companies, are perceived more often as purely formal.
- Belarusian social enterprises operate in various sectors. The study showed that 46% of the organizations in the established register are engaged in the production of goods, 10% - in trade, 44% - provide other services. Such proportions roughly correspond to the structure of the Belarusian GDP.
- Social enterprises work with a number of different socially vulnerable groups: people with reduced mobility, sight and hearing-impairments, mental disabilities, single mothers, former prisoners, people with drug and alcoholic addiction, and senior citizens.
- The enterprises surveyed are small and micro-organizations and are at different stages of an enterprise life cycle. The 'younger' organizations, as a rule, are engaged in providing services and working in new types of activities. This does not, however, exclude the presence of social enterprises in the category of medium and large businesses.
- There are no comprehensive statistics available on the aggregate annual turnover of social enterprises, but it is likely not significant.

⁴ https://by.odh-office.eu/files/social_enterprises_in_belarus_ru.pdf

- The ecosystem of social entrepreneurship in Belarus is just emerging. Over the last 2 to 3 years, stakeholders in the ecosystem of social entrepreneurship have begun to emerge, such as consultative and representative bodies for example the Council for the Development of Social Entrepreneurship under the National Confederation of Entrepreneurs, providers of informal education for aspiring social entrepreneurs in Minsk and several regions of Belarus, role-model enterprises and mentors. At the same time, the emerging ecosystem does not yet include policy-makers, financial and other mechanisms of support by the state or private financial sector.

SUPPORT SYSTEMS AND MECHANISMS FOR SOCIAL ENTERPRISES

- Currently, the support system for social enterprises is rather fragmentary and does not emanate from a single institution. There are some support mechanisms available to social enterprises, but they are not systemic.
- There are certain support instruments available for for-profit enterprises having more than 50% people with disabilities among their staff. Private sector donors to such enterprises can claim tax deductions. Goods and services produced by such enterprises are exempt from the value-added tax on turnover when the goods and services are sold in the Republic of Belarus. These enterprises also have priority when participating in public procurement tenders. However, they often lose out to commercial enterprises capable of providing a lower price due to large production volumes, or to state enterprises.
- Additionally, state subsidies are available to enterprises employing people with disabilities under the Programme of Labour Adaptation. The subsidy covers monthly salary, and contributions to social security for a period of six to 12 months.
- Belarusian legislation provides for a state subsidy for equipping workplaces for people with disabilities, including for the purchase of machine tools.
- Individual entrepreneurs and organizations have the right to receive a reduction in rent for state property, if the number of disabled people working there numbers at least half of the total employees. However, this measure does not apply automatically and requires additional

effort by the owners of social enterprises to access this reduction of rent. For example, social entrepreneurs may lose in competition with traditional commercial businesses who can afford paying higher rents. In practice, the legal experts from non-governmental organizations protecting the rights of people with disabilities assist social entrepreneurs in explaining to the local authorities the importance of social enterprises and the necessity of preferential treatment for them.

THE ROLE OF MUNICIPALITIES

- > In addition to measures listed above, there are others, which aim to promote entrepreneurial activity in medium-sized and small urban settlements, and rural areas. Measures are available to support the development of small and medium-sized enterprises and agro-ecotourism. A number of other regulatory documents aim to promote the development of social entrepreneurship without mentioning the term as such.⁵
- > The absence of legislative norms particularly targeting social enterprises as a subset of traditional business does not allow for the formation of a recognizable public image of a social entrepreneur (enterprise). As a result, consumers often choose a product without paying attention to the status of organization/manufacturer, while the local authorities treat social enterprises as traditional businesses. The new Presidential Edict aimed at reducing unemployment allows municipalities to provide communal space for entrepreneurs free of charge for a period of up to three years in order to create full time jobs. However, implementation practices do not stimulate social entrepreneurs to take advantage of this measure. According to the edict, the social entrepreneur must provide enough employment, so that the amount paid out in salaries corresponds to the amount of the anticipated rent. The employers are not allowed to offer their employees unpaid leave or reduce the work load to 75%, 50% or 25% which is challenging for aspiring social entrepreneurs. Moreover, space provided by municipalities usually requires significant investments for repairs. The short-term lease offered creates doubts about the wisdom of investing in repairs, if the premises may be taken away from the social entrepreneurs at the end of the lease period.

⁵ Presidential Decree #6 as of 07.05.2012.
http://president.gov.by/ru/official_documents_ru/view/dekret-6-ot-7-maja-2012-g-1494/

- > While there is no one specific role that municipalities undertake in relation to social enterprises, there are different ways to help support their activities. Among them – organising educational and training events, providing consultations to people interested in setting up a social enterprise, sending employees from employment centres to social entrepreneurs, granting a lease to a certain group of social enterprises for a reduced coefficient, giving preference to such enterprises when conducting public procurement.
- > The form of cooperation depends on the length of partnership, the professional competence of municipality officials, and their general interest in the services offered by the social enterprise. A significant factor is the municipality's willingness to involve social enterprises in decision-making and policy formation, as well as the ability of social entrepreneurs to build successful relations with local authorities and advocate for their own interests.

SOCIAL ENTREPRENEURSHIP IN SWEDEN: COUNTRY OVERVIEW



DEFINITIONS AND LEGAL UNDERSTANDING OF SOCIAL ENTERPRISES

As stated in the report *A map of social enterprises and their eco-systems in Europe. Country report: Sweden*⁶ the five points below accurately describe the situation in Sweden:

- Sweden has no legal form specifically designed for social enterprises. Instead, social enterprises use adaptations of the cooperative (economic association), non-profit association, limited company, limited company with distribution restriction and foundation forms. The most commonly used legal forms adopted by social enterprises are the cooperative, non-profit association and limited company, each adapted to provide for a social purpose in their constitutions.
- There is a long tradition of social engagement and third sector involvement in Sweden. However, concepts such as “social economy” and “social enterprise” are relatively new. These concepts are used alongside more traditional terminology such as cooperatives, not-for-profit organisations and civil society organisations.
- The term social enterprise tends to be associated with work integration social enterprises (WISEs) and/ or idea-based organisations. This may be a reflection of the existence of a targeted national policy towards WISEs and the lack of a commonly recognised definition for social enterprises. However, this does not imply that other types of social enterprises do not exist. Such social enterprises operate without reference to the term social enterprise. Idea-based organisations and societal entrepreneurship are other social enterprise-related terms and concepts commonly used in Sweden.
- The work integration social enterprise (WISE) is recognised by the Swedish public sector. This recognition can be obtained by organisations operating with a purpose of integrating people into society and working life. WISEs need to be independent of public authorities and are required to reinvest profits into furthering their aims. However, WISEs are governed by the same laws as any other enterprise of the corresponding legal form. There are no clear incentives attached to being recognised as a WISE, but it is often a requirement for selling services or products to municipalities. There is no recognition of, or incentives for, social enterprises that carry out other social purposes.

⁶ European Commission. (2015). *A map of social enterprises and their eco-systems in Europe. Country report: Sweden* <http://ec.europa.eu/social/keyDocuments.jsp?advSearchKey=socentcntryrepts&mode=advancedSubmit&langl&langld=en>

- Without a clear definition of social enterprises in Sweden, the term tends to be equated to WISEs and/ or applied in a more general sense (i.e. “social purpose businesses” and/ or organisations based on non-profit principles). It is therefore difficult to distinguish social enterprises from WISEs and/ or the wider social economy. The lack of a clear definition means that there is little or no data available to enable further research into the social entrepreneurship sector.
- Certification systems are not widely used in the country. However, there is a certification label developed specifically for WISE called *Swedish association for certified work integration social enterprises* (Svenska Branschorganisationen Certifierade Arbetsintegrerade Sociala Företag), *certasf.se*.

SIZE AND CHARACTERISTICS OF THE SECTOR

- There are over 300⁷ WISEs in Sweden and most are organised as social work cooperatives, adopting the legal form of economic association. The number of WISEs has more than doubled since 2007. WISEs employ around 2,600 people and activate a further 6,500 through work placements, subsidised employment, internships, etc. Beyond WISEs, there is very little data and information regarding other types of social enterprises in today’s Sweden.
- According to research and the report *A map of social enterprises and their eco-systems in Europe. Country report: Sweden* many social enterprises in Sweden are still closely connected to the public sector and depend on public funding. For WISEs, this can largely be explained by the close connection between WISEs and active labour market policies. For other types of social enterprises, the public sector often represents the primary procurer of products and services. Social services for example are still generally publically funded, although increasingly provided by non-public sector providers.
- In the last two years, the corporate sector has shown an increased interest in social entrepreneurship and in how you can use business for good. Several new awards and conferences have highlighted the topic.

⁷ <http://sofisam.se/vad-ar-sociala-foretag/skapar-arbete.html>

SUPPORT SYSTEMS AND MECHANISMS FOR SOCIAL ENTERPRISES

- Sweden has a long history of public support to small and medium business through business advice, incubators and seed financing. However, these structures have struggled to adapt their existing services to support social enterprises. While the bigger structures have taken time adapting, new support organisations for social entrepreneurs have been established, because the need for specified support has been identified. The new support organisations rely on a mix of private (philanthropy) and public funding.
- The support structure is fragmented, not systematic and somewhat confusing for both social entrepreneurs as well as intermediaries working in the sector.
- The traditional support systems have historically been targeted towards WISEs and/or cooperatives. However, in the last 10 years, new support organisations have targeted a wider range of initiatives/enterprises not tied to the WISE definition of social enterprise.
- Given the growing interest in the field of social innovation, there are various government agencies and EU-funds supporting pilot projects and support structures that have been established to build the sector. They are generally located in major cities and set up via short-term project funds.
- There is a lack of cooperation between the various sectors in Sweden. This is partly due to the public sector historically being a large player in social and environmental areas, and the general public attitude that the high rate of taxation covers social and environmental expenditures, and no additional investments are needed. Hence, there is a lack of incentive to cooperate.
- The national government is currently developing for the sector an investment package of 150 million SEK over three years. Details are still to be determined, but the three key areas will be: Market fit (especially connected to public procurement), Knowledge and support systems (for both social entrepreneurs and the public sector) and Impact measurement.
- A number of governmental agencies are currently conducting research or mapping the social enterprise sector and its existing support mechanisms. *Vinnova* (The Swedish Innovation Agency) and *Tillväxtverket* (the

Swedish Agency for Economic and Regional Growth) have the most visibility. *Vinnova's* work is expected to be presented in the beginning of 2018 and *Tillväxtverket's* report was launched in November 2017⁸.

- Sweden is one of the few countries in the world where philanthropy is not tax deductible. This has resulted in an undeveloped culture of philanthropy in Sweden. For the social entrepreneurship sector, where early funding is a challenge, this has been a problem in Sweden compared to other countries where philanthropy plays a big part in the sector's development.
- Like any company, social enterprises have a need for capital and investment. However, due to the different characteristics and organisational structure of social enterprises, as well as the poor level of general knowledge about the sector, there is a lack of external capital or private investment in social enterprises in Sweden.
- Finally, the Social Entrepreneurship Forum together with a group of support organisations is coordinating advocacy work for social enterprises, representing their interests at the national and local level, with the purpose of enhancing the social entrepreneurship eco-system in Sweden.

THE ROLE OF MUNICIPALITIES

- Municipalities play an important role in the social entrepreneurship sector, as they often are the procurer of products and services from enterprises. Since 2010, a new procurement approach has been instituted, called *Idea Based Public Partnership* (IOP), where the municipality and social enterprises, or idea-based organisations, gather around a social challenge and work cooperatively towards a solution. The municipality pays the organisations for their work and the potential profits go back into the organisations. The new approach simplifies the process and lies between a procurement contract and grant, as the work is set up as a partnership rather than as a traditional procurement contract. According to Narbutai'te Aflaki, Eriksson and Schneider (2017)⁹ there are now over 100 IOPs in Sweden.

⁸ The Swedish Agency for Economic and Regional Growth (Tillväxtverket). (2017). Vilse i Stöddjungeln. <https://tillvaxtverket.se/vara-tjanster/publikationer/publikationer-2017/2017-11-23-vilse-i-stod-djungeln.html>

⁹ Narbutai'te Aflaki, Eriksson and Schneider. (2017). Utmaningar och framgångsfaktorer för att initiera, genomföra och anpassa ett idéburet – offentligt partnerskap. <http://publications.lib.chalmers.se/publication/249890-utmaningar-och-framgangsfaktorer-for-att-initiera-genomfora-och-anpassa-ett-ideburet-offentligt-part>

- Several municipalities have created social investment funds, earmarking money to address specific challenges. Grants are available to both external organisations and initiatives from within the public sector. The aim is to incentivise actors to address social or environmental challenges, as well as save public money in the long-term. In 2014, there were over 70 active social investment funds. The majority of these funds has gone to initiatives from within the public sector.
- Several municipalities, for example Botkyrka municipality, have created grant programmes where citizens can apply for small grants for community initiatives. The purpose is for citizens rather than municipalities to decide what activities the municipality should support.
- Norrköping municipality has created the first Social Impact Bond¹⁰ in Sweden, in cooperation with private investors. This work has gained national interest and will be followed closely to see if it can be replicated in other municipalities.

¹⁰ A Social Impact Bond is a contract with the public sector in which a commitment is made to pay for improved social outcomes that result in public sector savings.

The background is a solid orange color. It is decorated with a pattern of abstract geometric shapes. There are several circles of varying sizes and colors: white, black, and blue. Interspersed among these circles are numerous short, white, rectangular dashes or lines, some of which are oriented radially, giving the overall appearance of a starburst or a dynamic, scattered pattern.

CASE STUDIES

A CASE STUDY FROM LATVIA: DIŽVANAGI

Association “Dižvanagi” (in English – “great hawks”)
Dizvanagi.lv



Dižvanagi is a social enterprise based in the city of Liepāja, providing care to children with disabilities and special needs. Since its inception in 2008, it has aimed to implement a programme of socialization and rehabilitation, as well as create a system of support for the children’s families. The guiding philosophy has been to focus on working with families, believing that the well-being of children depends on their family’s ability to respond appropriately to their needs. *Dižvanagi* organises seminars and educational events for families to ensure

that they feel supported. Families are given practical knowledge on how to sustain an environment where the child feels safe and happy. Additionally, the organization provides palliative home-care and cooperates with international experts in the development of a home neuro-rehabilitation programme. In order to foster a space for socialization, *Dižvanagi* organises camps and charity events for children and families. Finally, they rely on animal-assisted therapy in order to enhance therapeutic effects and improve the overall atmosphere at their centre.

Their entire enterprise is underpinned by a strong ethos of initiative and responsibility. Headed by two women, *Dižvanagi* has developed a philosophy of rehabilitation, which begins with habilitation, continues with learning, and concludes with uninterrupted rehabilitation and action. They have ambitious future plans, hoping to secure a permanent space for their activities and forming a council of inter-disciplinary professionals engaged in treating children. They have international reach, collaborating with experts from the United States, Italy, and Greece. They are often viewed by international partners as role models.

Their cooperation with the local municipality is mostly based on public procurement procedures. Driven by a strong

sense that no one owes them anything, Ilze Durņeva, the director of *Dižvanagi*, and Ilze Gabaliņa, a board member responsible for legal affairs, have set out to show that their services are not only necessary but also high quality. Their first steps in cooperation with the municipality were small projects for which they applied for funding. They devoted much effort to educating the municipality about who they are, what they are doing and why their work makes a difference. In their view, this part of their job is not yet finished. Many municipalities still do not have a good understanding about what social entrepreneurship is and why social entrepreneurs should be more deserving of funding than others. They cultivate self-reflection and self-awareness, analysing the ways in which encounters with municipalities and other potential supporters happen, believing that blame should not be put on anyone who has failed to provide the required assistance. They consider their cooperation with the municipality as generally successful, indicating also that there is

a significant and hopeful room for growth in the future. As part of their plans for participating in the procurement process in 2018, they intend to inform neighbouring municipalities of the services they provide and have already established a partnership with Ventspils, a nearby municipality.

They note that it is difficult to list risks associated with this cooperation, as the risks are always specific to the particular projects undertaken. Nevertheless, they insist on the necessity to dare to do what one believes is right. Furthermore, it is even more important to dare to do again in case of failure the first time around. It is necessary to think about the way their story is told, and about how to present oneself on financial issues. There needs to be passion and dedication and enthusiasm before one can expect anyone else to believe in the cause.

A CASE STUDY FROM LATVIA: CERĪBU SPĀRNI

Association “Cerību Spārni” (in English – “wings of hope”)
www.ceribusparni.lv | facebook.com/Pogotava



“*Cerību Spārni*” is a social enterprise founded in 2003 with the purpose of facilitating social integration of people with disabilities. ‘*Cerību Spārni*’ engages in advocacy, fostering the development of civil society and operating in the fields of education and social services. Based in the small town of Sigulda, 50 km away from Riga, they work with children and their families, young people and adults that experience functional difficulties and other kinds of disabilities. They offer diverse services, pursuing their mission via four different strands of activity.

At headquarters, work revolves around the provision of social services procured by the municipality. Through workshops that include weaving and other handicrafts, speech, art and musical therapies as well as medically mandated exercise, children and young people acquire useful skills and produce crafts sold in the organisation’s shop ‘*Pogotava*’, located near the central station. Additionally, they have founded a community ‘*Cerību sēta*’, where people with mental disabilities participate in the community according to their own abilities and needs. Geared around social rehabilitation, the community breaks down the walls of isolation and fosters self-sufficiency and the ability to navigate the terrain of daily life whilst receiving personalized assistance. Finally, the social support centre ‘*Cerību māja*’ offers a number of activities for young parents in crisis, or with insufficient parenting skills, as well as for young single mothers with no family support.

In 2016 ‘*Cerību Spārni*’ provided services to 54 families with disabled children. 44 young people and adults received direct assistance. Additionally, the organization provides one-time services to individuals that are not normally included in the overall statistics. The organization’s reach extends beyond Sigulda: Mālpils, Krimulda, Cēsis and even Liepāja residents have also

used their services. Although not always possible, the work is geared towards enabling participation in the labour market. Four youths have joined the labour market after having spent one to two years in the enterprise.

As the director of the enterprise, Eva Viļkina, notes, *'Cerību spārni'* cultivates an extremely close relationship with the local municipality. The partnership stretches over a 13-year period since their first procurement contract in 2004. They cooperate in four main areas: procurements, co-financing, independent orders and policy consultation. The municipality also provides the organization with their headquarters building free of charge. The successful partnership is based on mutual trust and utility, especially with the social department of the municipality. Cooperation mostly takes places through procurement, which then supports the operations of the organization and provides a trustworthy partner in the provision of social services for the municipality. The municipality occasionally co-finances projects, thus assisting in the purchase of equipment and other infrastructure materials needed for the activities. Due to the friendly relationship, the municipality also sometimes issues independent contracts to *'Cerību spārni'* for their events. This serves as an additional source of income. Most notably their successful partnership includes consultation and participation in policy-making procedures, where *'Cerību spārni'* plays a major role. The municipality is eager to hear and understand the views of those involved in service delivery and over the years a feedback loop has developed between the municipality, *'Cerību spārni'* and parents. The



organisation carries out an annual survey aimed at evaluating the quality of their services as well as receiving input on what kinds of new services might be necessary in the future. These reports serve as justification for further procurements issued by the municipality ensuring that the services provided are up-to-date and fulfil a useful purpose.

'Cerību spārni' pays very close attention to needs, making sure that their services and activities respond to needs as they emerge. They believe that this needs-based focus is one of the main reasons behind the successful partnership with the municipality. From the very first municipality-supported project in 2004, they have invested into proving that their work is needed – even

now, demand for their services exceeds available resources. Their first project garnered much more interest than was anticipated, and this served as a further incentive for support by the municipality. People in *'Cerību spārni'* emphasize that they continuously need to show the social value of their work. It is not enough to simply come up with a great idea. One needs to know exactly what needs to be done, how and why, before one can hope for any kind of support from municipal institutions. This is also the main recommendation emerging from *'Cerību spārni'* – adequate research and preparation needs to be done. In order to justify the required expenses.

Perhaps owing to the relatively small size of the town, the organization is able to hold regular meetings with members from the social department where they analyse the work carried out, current needs and future challenges. Additionally, once a month they provide reports to the municipality accounting for the spending. Procurements take place every three years, rather than once a year, due to the growing trust between the municipality and the enterprise. There is a strong sense of being appreciated by the municipality, because they are a resource – the social department has a reliable channel that they can use to respond to emergent and emergency needs of residents. Services offered by *Cerību spārni* have led to a significant improvement in quality of life, as 97% of the parents have been able to re-join the workforce, because they now have access to childcare.

Risks and challenges revolve around the issue of finances. One can never be certain of the next procurement, not because the municipality might withdraw support, but because the municipality could face budgetary constraints imposed from outside. Similarly, because demand for services is greater than what *'Cerību Spārni'* is able to offer, employees need to be aware of the broader situation and ready to work with more people than officially stipulated, without the guarantee of additional compensation. *'Cerību spārni'* is lucky to have a close-knit team of people invested in the social mission, and placing monetary rewards low on their list of priorities. The partnership with the municipality can be seen as exemplary, and ultimately relies on long-term cooperation, a professional approach to accounting and reporting, a continuously proven need for the work and the impact on the local community, reflected in a growing life satisfaction among residents.

A CASE STUDY FROM LATVIA:

SAMARITAN ASSOCIATION OF LATVIA



Association "Samaritan Association of Latvia"
www.samariesi.lv



The Samaritan Association of Latvia, guided by the imperative 'Help to Live', is one of the oldest and biggest social enterprises in Latvia. It employs more than 700 people and has an additional pool of volunteers numbering around 300. The social enterprise is a member of the 'Samaritan International' and takes pride in providing high quality social and medical assistance to people in need. They do this in four ways:

first, by providing necessary assistance to people through charity projects without compensation; second, by providing social services in cooperation with local municipalities; third, generating revenue by organising and running First Aid and care training and seminars, as well as by providing medical assistance in the free market; and finally, by acting as a policy advocate in civil society and in cooperation with government institutions.

The range of social services they provide is extensive. Included in the twenty various services, they provide care to people at home, offer the services of a chaperone that may be needed in some situations, operate a crisis centre for children and young mothers and a night shelter for the homeless. They also organise educational events, instructing people in first aid. Additionally, they provide medical care and organise food bank activities. Their engagement ethos is characterised by an emphasis on practical action and solving social problems through example rather than discourse. They have also been pioneers in cultivating awareness and fostering a

discussion on many social issues, for example, violence against children. They operate throughout the country and have established partnerships with numerous municipalities, charity organisations and private actors.

The director of the Association, Andris Bērziņš, believes that their partnerships and cooperation with municipalities across Latvia have been on the whole successful. Currently relationship building is fairly easy, in comparison to the 1990s, when they began operating in Latvia. He recalls that their first project - establishing a social crisis centre - took more than a year to finalise and complete. However, this set a precedent for further actions. Now, there is a clear system and structure for partnerships and institutional frameworks have developed over time to ensure that both sides are able to benefit from the cooperation. He even notes that people in Estonia and Lithuania often look to them as good examples of such partnerships.

This success is also due to other social enterprises, which has helped consolidate the impression that these types of activities are necessary, and can be successful. An important reason for this success have also been other social enterprises that has helped consolidate the impression that these activities are necessary and can be successful. It is not only the growing size of the social entrepreneurship eco-system that has helped generate the awareness of the social economy, but the willingness of social entrepreneurs to take part in policy debates and assist local municipality officials in developing rules and procedures and identifying the needs of the local

populace., The increasing intensity of communication between public and private actors has fostered the view that social enterprises are key to ensuring people's welfare.

The Samaritan Association's partnership with municipalities mainly takes the form of public procurements. There are three types. First, ad-hoc help to individuals and families that are in immediate need of assistance. This help is based on existing regulations and contracts. Secondly, there may be a direct delegation form of public procurement. This happens if there is no competition between service-providers and the municipality directly delegates the provision of a service to the enterprise. The Samaritan Association in Latvia currently has at least 30 such contracts with municipalities. Finally, there is the ordinary procedure of public procurements, where social enterprises compete for funding from the municipality.

In terms of the latter, Mr Bērziņš notes that they successfully advocated for improvements in public procurement, changing the premise that a procurement contract should always be awarded to the lowest bid. Global experience has shown that this approach does not work effectively. Social enterprises tend to be specific in terms of the services they provide and may not cover the entire stipulated field of action. Thus, the Samaritan Association lobbied for the principle of common agreement, whereby all candidates that meet the criteria of the procurement are given rights to it and then the allocation of funding for specific needs is arranged separately.

As a result of their deep involvement and partnership with municipalities, the



practical social protection available to people has changed dramatically over the years. Mr Bērziņš notes that this has not been their individual achievement as there are many actors in the social economy that have contributed; nevertheless, the personal and professional competencies of the people in the enterprise have played a major part. The road has certainly been rocky, but their ability to navigate the political and legal terrain has significantly helped shape the forms of partnership currently available to enterprises.

Risks and challenges of this type of cooperation include overcoming bureaucracy. For example, the Association had prepared a contract for the delegation of a procurement and sent it out to five different municipalities. The municipalities made some corrections to the contract, which then was forwarded to the Ministry of Environmental Protection and Regional Development that made further modifications. In the end, the Association received five altogether different contracts. They then had to go to the lawyers of the Ministry and standardise the contract yet again. Bērziņš notes that the partnerships are solidified through establishing a common practice, and improving the competence of all partners.

Bērziņš further posits that they work with three different kinds of municipalities. One of them is the Riga municipality, which has the necessary intellectual and human resources to create and manage such partnerships. Then there are municipalities that have the motivation and ability, but lack the resources. Finally, there are municipalities that lack the human resources and institutional capacity to institute smoothly functioning public-private partnerships. Each type of municipality requires a different approach. With the latter group, the social enterprise prepares all the contracts and protocols and advises on the necessary bureaucratic steps or, in other words, prepares the entire package of cooperation.

Other procedural challenges may arise. Mr. Bērziņš speaks of 'positive jealousy'. The recipients of services tend to acknowledge the efforts of the enterprise and not see the support extended by the municipality to make these services available in the first place. The social enterprise always acknowledges and gives credit to the municipalities in their publications. He notes that there may also be communication issues, including assigning blame to the other, which may negatively impact the partnership.

Finally, other enterprises looking to initiate these forms of partnerships should first plan carefully and effectively communicate their motivations. More importantly they should become familiar with the municipality they want to work with and find out their needs and motivations. Partnership is a two-way street and, therefore, requires identifying a mutual interest. It is also important to use existing resources and avenues of access. Much has been invested in the development of the field and there is little need to reinvent the bicycle, so new entrepreneurs should learn from existing experiences and not shy away from getting in touch with current actors in the field. It is likely that any seemingly new initiative

may have a counter-part already working on the same issues. The potential field of action should be thoroughly researched before embarking on new projects. Finally, Mr Bērziņš notes that part of their success has been the ability to offer economic justifications for the solutions they offer. They demonstrate the economic impact of their actions by providing a rundown of the current costs and offering a forecast of the way these costs will change in the future as a result of their work.

A CASE STUDY FROM LATVIA: TUVU

Association “Tuvu” (in English – “close by”)
www.biedribatuvu.lv



The social enterprise ‘Tuvu’ is a Christian charity organisation that helps low-income families with children as well as socially isolated individuals. They aim to minimise social exclusion and risk by increasing the welfare of people they work with. They invite partners and specialists to provide the necessary material, emotional, and social support and rely on Christian values to meet their aims. They provide help and assistance in crisis situations and cultivate a charity tradition in Latvia. They operate two second-hand charity shops based in the cities of Jelgava and Tukums. The revenue from these shops is invested in various charity projects, such as material support to the needy (food packages, clothing, firewood, etc.) youth camps, construction

projects, educational events, distribution of educational materials to children and various creative and practical workshops. The association’s activities can be separated out into two main fields. They provide no-cost targeted assistance to families and individuals at risk, and they engage in business, offering basic necessities at affordable prices, thus creating a market as well as serving the community. So far, they have helped at least 60 local families, but the number is certainly much bigger if one takes into account the partnerships they have throughout Latvia.. They cultivate an ethos of long-term assistance and are familiar with the specific situations of each family. When a new family contacts them for help, a lot of work is invested in understanding their situation – they visit the family at home and survey the potential needs. Similarly, they carry out a lot of motivational work in order to avoid fostering a relationship of dependency between themselves and the family. The aim is to ensure the family is able to get on its own feet.

They work together with various partners locally and internationally. In fact, ‘Tuvu’ began due to GAIN (Global Aid Network) Germany’s initial assistance and support with shipments of goods to be sold through the second-hand shops. Since then their partnership has grown and is considered key to

their continued success. Furthermore, they distribute clothes, furniture and other materials throughout the country. Using Facebook, people anywhere in Latvia are able to place a request for things that they need.

Initially, as with most other social enterprises, creating a relationship with the municipality was not easy. Nevertheless, over the years they have managed to develop successful cooperation. Part of the success is the association's relative independence – the revenue stream from the shops is sufficient enough to not be in constant need of basic resources, such as fuel. They turn to the municipality as the need arises and so the predominant form of partnership is rather ad-hoc. The chair of the Board – Lāsma Cimermane – notes that there is a clear understanding and mutual interest between the association and the municipality about the work that they do. They always produce reports on time and try to be a trustworthy partner.

The association cooperates with the municipality in three more ways: first, when the social enterprise applies for funding from European funds, the municipality always acts as the necessary co-financer of the projects. Secondly, the municipality acts as an information broker. With every new project, such as cleaning volunteer trash pick-up in the forests, the social enterprise gets in touch with the municipality to list their potential needs in terms of volunteers or other resources, and the social department staff then circulates the information. Thirdly, the municipality may use the space made available by 'Tuvu' in organising their own projects. For example, two employees of the municipality wished to organise an educational seminar for young mothers,

but did not have an adequate space to do this. They turned to 'Tuvu' for help in securing premises for the seminar.

Overall, the relationship is mutually appreciative thanks to the 'human factor', as noted by Lāsma. The attitude one encounters in the municipality is certainly dependent on the people at the top and the kinds of interests and initiatives they are likely to support. Ozolnieku municipality has been supportive and representatives often visit the association's events to show appreciation.

Nevertheless, there are certain risks in this partnership. A significant risk, and a factor not usually raised by other social enterprises, lies with elections. In Ozolnieki, the recent municipal elections brought new people to power, who have engineered a radical internal restructuring of the municipality. This political change in the municipality may affect the partnership, although the current Chairman of the Board does not yet foresee what the impact will be. The political impact may be less marked for a small and wealthy municipality like Ozolnieki, but it may be of more consequence for enterprises cooperating with less wealthy municipalities. She also notes that they often encounter rather rigid and formal bureaucratic structures, which may impede their work, as well as a lack of competence of municipal staff, which slows down the activities they wish to pursue. In spite of that, 'Tuvu' has high hopes for the future and are working on many different projects to increase their capacity, improve ways of providing assistance and, hopefully, cultivating a continued successful partnership with the local municipalities, as well as in other regions of Latvia.

A CASE STUDY FROM BELARUS:

SELSKAYA STOLINCHSHYNA

Private Unitary Enterprise (for-profit company) founded by
NGO «Selskaya Stolinchshyna» (in English - rural Stolin)
rdc-stolin@yandex.by



to the environment as well as to people's health. When burned, polyethylene releases carcinogens, and children, who are normally responsible for recycling, are the first to be exposed to it.

The enterprise «*Selskaya Stolinchshyna*» was established by the NGO «Centre for Support of Entrepreneurship and Rural Development in Stolin Region». Despite the awareness-raising campaign organized by this non-governmental organization, the initiative did not become popular among the local population during its first year of operation, with only eleven tons collected. By 2017, this figure had grown ten times and reached a hundred tons.

«*Selskaya Stolinchshyna*» (Rural Stolin) is a social enterprise founded in 2011 to solve the problem of the utilization of used greenhouse film in the Stolin Region of Belarus (Brest Voblast'). The Stolin region is the biggest region in Belarus, with over 10 thousand subsidiary farms producing agricultural products for local consumption and for sale. Annually, about 400 tons of polyethylene greenhouse film are thrown away or burnt by the locals. Incorrect recycling of this material caused great damage

The social enterprise started as a small collection point for polyethylene in the village of Belavusha (Stolin district). The collection point was also equipped with stationary equipment for pressing. The appearance of competitor, a for-profit company, who applied the same business model and used the same resource - plastic film, made the founders look for other ways of reaching clients. They bought a truck and drove to each household to collect the greenhouse film. When collected volumes

continued to fall, the management decided to introduce additional services. They started to buy new film and sell it at reduced prices to those households participating in the recycling; they also sold them discounted quality seeds, which enabled the cultivation of new plants in the region, such as blueberries and melons. This increased the volumes collected, and the profits of the company. In 2016, the enterprise started turning a profit.

Currently, «*Selskaya Stolinchshyna*» provides jobs for eight people. However, over a hundred tons of used film remain uncollected and unrecycled. Being a social enterprise, «*Selskaya Stolinchshyna*» pays higher prices for collected film and charges lower prices for seeds, which prevents the enterprise from expanding too fast. Moreover, they promote the use of more sustainable materials for greenhouses such as glass. When asked if they were not afraid to lose their market due to such campaigning, Vic-tar Veliasnistki, the Director of the founding NGO, says he would be happy about such a development, as the enterprise was established to solve exactly this kind of environmental problem.

«*Selskaya Stolinchshyna*» has had a measurable environmental and social impact. The collection and processing of unusable polypropylene film directly contributes to ensuring the safety of the environment and public health. This approach

reduces the volume of non-recyclable plastic waste in landfills. Secondly, it reduces the toxic load on the environment because small pieces of film no longer pollute the forests and water, where they can stay for centuries and lead to the formation of a dangerous micro plastic. Thirdly, it is safer for human health. Local people often burn unnecessary plastic debris in their yards, and this risks the formation of ultra-toxic substances that can cause the development of malignant cancers.

The enterprise reinvests its profit into the activities of NGOs promoting sustainable rural development in the region, innovating and developing new and more eco-friendly ways of cultivation. The combination of the non-profit organization and the commercial enterprise contributes to greater sustainability of the entire construct. International projects, implemented by the non-profit organization, help diversify the work of the enterprise. Grant money is often used for research and for purchasing new equipment, testing new technologies for crop cultivation, while profits generated by the social enterprise help support the non-profit organization in times when there are no projects running. This helps to preserve the core team and keep the non-profit venture going.

A CASE STUDY FROM BELARUS:

NASHY MAJSTRY

Private Unitary Enterprise (for-profit company) «Nashy Majstry»
(in English – our masters)
majstry.by



Nashy Majstry is a social enterprise based in Minsk. It aims to rehabilitate people with alcohol and drug addiction by providing them with employment opportunities, motivation, and psychological support.

The founder of *Nashy Majstry* is a family. Katsiaryna and Uladzislau Kaurovy help their employees get back to a normal life, restore their social skills, repay their debts, and be able to raise their children again. According to the World Health Organization, in 2014 Belarus leads the world in consumption of alcohol. Yet, social enterprises directly addressing the problem, providing rehabilitation and employment to individuals scarred by alcohol abuse, are few. *Nashy Majstry* is unique in this area, as a small enterprise producing high quality souvenirs out of gypsum, as well as decorative brick, interior design items, creative development

toys and tools for children and other products. It started working in January 2016 as a pilot initiative by the NGO Healthy Choice in partnership with the Smaliavichy District Executive Committee (the local municipality) in the framework of the UNDP program "Local initiatives Development in the Republic of Belarus".

Katsiaryna and Uldazislau started their careers in a non-profit organization combating alcohol abuse problems. They worked with children and teenagers whose parents had been temporarily deprived of parental rights, in 80% of cases due to alcohol abuse. They helped children build their social and professional skills while in the orphanages, but after leaving these institutions, many still fell under the influence of their alcoholic families, adopting asocial lifestyles. Eventually it became clear that it is important to work also with the alcohol-addicted parents to prevent such situations.

Employees of the enterprise *Nashy Majstry* must follow two rules – fully abstain from alcohol and drug use while regularly attending self-help support groups, and be good workers. After restoring their social and work skills, and fixing their problems with the law, those who feel strong enough and ready to move on leave the enterprise

and are replaced by new employees. Each employee can count on the entire team's support in his/her rehabilitation path. Today, people from different regions of the country come to work at the enterprise in Minsk.

“When a person gives up drinking, – says Katsiaryna Kaurova, the co-founder of the enterprise, –he/she finds him/herself in a total void that needs to be filled with something. A person sincerely wants to live sober, but does not know how. What to do, with whom to communicate, where to ask for help when sober? How to get sad and how to have fun without drinks? Often they return to drinking because of this frustration. Alcohol has penetrated all aspects of their lives – their daily routine, friendships, hobbies, relations. Our enterprise offers them a full-fledged support system throughout the entire rehabilitation path – a sober environment, a meaningful job (a portion of produced goods are given to orphanages and hospitals), professional help, and most importantly – support from colleagues who have experienced similar difficulties”.

The business model of this enterprise was borrowed from the US-based company TROSA for rehabilitation of people with drug addiction. The Nashy Maistry program differs slightly in that employees live with their families or alone. While TROSA combines employment with the US State program for rehabilitation of drug addicts, there is no comprehensive approach to this problem in Belarus. Creating a comprehensive approach in the future would be important to ensure sustainable remissions among alcoholics and drug addicts.



The founders and managers of the enterprise emphasize that they operate as any private sector small business enterprise, and do not take advantages of any benefits or privileges offered to social enterprises. They want to make their business sustainable, and rely on the quality of their environmentally friendly production, a wide variety of goods, and flexibility of the production line. They are constantly developing new products, marketing and story-telling. They work a lot with commercial corporations, producing corporate souvenirs as well as involving them in organizing charitable programs, such as the “The Box of Courage”, where employees of large companies buy a souvenir produced by *Nashy Majstry* and painted by children. , These souvenirs are donated to oncology hospitals for the patients. When having to undergo painful medical procedures, kids choose animal figures and fairy-tale characters from the «Boxes of Courage» and feel less afraid.

The social impact of activities by Nashy Maistry during the two years of its existence is impressive: 18 people (10 men and 8 women) went through a rehabilitation path, the enterprise has five full-time employees, four more are on the waiting list and work on short-term contracts and receive psychological support; 39 kids have been returned to their families and are now being raised by sober parents. In 2017, a branch enterprise was opened in Minsk.

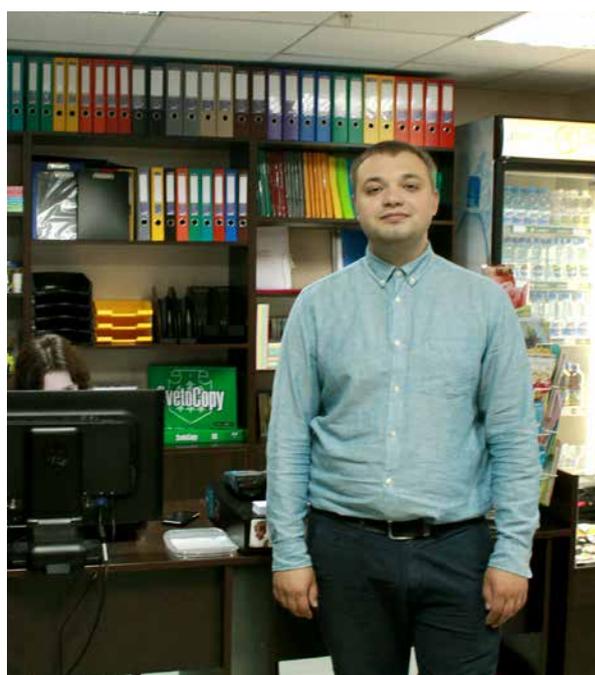
Nashy Maistry was started in a small town, Smaliavichy, which is located 20km from Minsk. This would have been difficult without the cooperation of local authorities. The assistance rendered by the Smaliavichy Executive District Committee was a result of the long-term relationship and synergy between the NGO «Healthy Choice» and

the Committee, rather than a result of legislation or policy. For instance, the local municipality became a partner in the grant-application of the CSO Healthy Choice under the UNDP-EU financed sub-granting program. Because of this partnership, Nashy Maistry received the grant, which served as start-up capital for the social enterprise. Joint application with the local authorities substantially increased the project's chances of success. Moreover, the two entities regularly exchange information about individuals with drug and alcohol addiction, who could become potential employees of the enterprise.

A CASE STUDY FROM BELARUS:

CENNYJ CAPITAL

Private Unitary Enterprise (for-profit company) «Cennyj Capital»
(in English - essential capital)
cencapital.by



The social enterprise «Cennyj Capital» was founded in August 2016 in Minsk by a young social entrepreneur Dzmitry Klimkovich. The enterprise aims to employ people with disabilities and facilitate their social integration. Social enterprises with at least 50% of their staff people with disabilities are the most widespread type of social enterprise in Belarus, partly because of a strong network of non-governmental organizations advocating their interests and creating such companies, as well as due to a variety of benefits (rent privileges, tax reductions, and other) available for this category of enterprises. Enterprises employing people with disabilities founded by

a regular entrepreneur are rare. Currently, there are only two such companies that are financially sustainable, using flexible business models and approaches, with «Cennyj Capital» being one of them.

Dzmitry Klimkovich, a 25-year-old entrepreneur with a background in both the non-profit and commercial sectors was inspired by a 2016 study trip to the United States of America on the International Visitors Leadership exchange program dedicated to social entrepreneurship.. A sound combination of business knowledge and experience, and network of contacts gained while working in a non-profit organization, let Dzmitry start a social enterprise just two months after returning from his exchange program. Currently, «Cennyj Capital» employs six people, four of them being people with disabilities.

«Cennyj Capital» offers the following services: photocopying and photos for documents. There is also a small shop selling office supplies and goods produced by other social enterprises – mostly seasonal souvenirs. Apart from employing people with disabilities, the company offers discounts for this group as well as for pensioners and non-profit organizations. It may seem insignificant, but profits are fully reinvested in the development of the company and

this has made it possible to open the «The Laboratory of Printing», which will expand services offered by «Cennyj Capital» to producing various printed products. Additionally, an internet-shop selling office supplies will be opened in 2018.

When looking for new employees, Dzmitry and his colleagues rely on the assistance of the Department for Labor and Employment of the Committee for Labor and Employment for Social Protection of the Minsk City Executive Committee. Dzmitry benefits from advice from his colleagues in the local authorities. He employs young, inexperienced people with disabilities who would not have many chances to be employed by traditional companies, but are ready to learn. New staff is trained during a probationary period. They enjoy free of charge full-fledged assistance from their manager, as well as from a specialist from the local state-run Territorial Centre of Social Services for the Population. Dzmitry also takes advantage of the State Adaptation Program for people with disabilities and has part of his employees' salaries reimbursed. Thanks to the assistance of the Administration of the Maskousky District of Minsk, premises for launching the enterprise were made available at a discounted rate. Dzmitry believes that the key to successful cooperation with authorities is to be open, be trustworthy, and build long-term relationships with different officials.

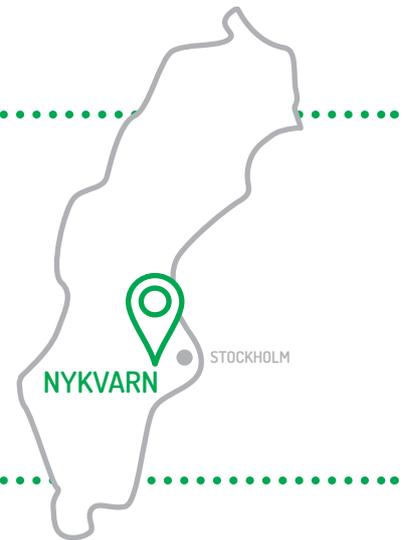
At the same time, Dzmitry notes: “My colleagues and I do not advertise the fact that the work at Cennyj Capital is done by people with disabilities. There are still many stereotypes in Belarusian society, leading people to believe that quality services cannot be delivered by people with disabilities. Neither can they make a good photo or a photocopy. A separate law on social entrepreneurship and a promotional campaign on the Social Entrepreneurs Movement could change the situation.”

When working at Cennyj Capital young people with disabilities receive valuable work experience, they are offered good salaries from the very start and have room for professional growth. The employees at Cennyj Capital note that, having been refused jobs many times before, they have now restored their faith in themselves and started seeing their career path in a more optimistic way.

A CASE STUDY FROM SWEDEN:

BASTA

Non-profit association “Basta”, mother-organisation and owner of six limited liability enterprises
basta.se



The social enterprise ‘Basta’ uses social entrepreneurship itself as the basis of its business. It offers rehabilitation and work experience to those who have suffered from alcohol or drug abuse. Currently ‘Basta’ has five centres in different parts of Sweden.

The inspiration to set up ‘Basta’ came to the founder, Alec Carlberg, when visiting an Italian social cooperative San Patrignano in 1989. He saw how ex-abusers came together to work and build the business. The idea that purposeful work and the opportunity to take ownership of your own life can be a basis for rehabilitation is the philosophy of ‘Basta’. In 1994, the first centre was set up in Nykvarn outside of Stockholm.

‘Basta’ believes in building self-confidence through the empowerment that comes from being proud of your own achievements. Each person who comes to ‘Basta’ makes that decision him or herself. The person must truly want to be there. During the first year, he or she will go through a rehabilitation program that mainly focuses on working within the business, presenting opportunities to develop social skills, a new identity and a sense of belonging. Once the first year is finished, each person can decide to stay and help run the social enterprise for as long as they like, with most staying for three or four years.

The social business is dependent on the income it generates through services like construction, cleaning, day-care for dogs, and catering. The decentralized business structure means many will have the chance to take responsibility for team leadership and finances.

When the idea was first formed in 1994, ‘Basta’ started off with five partnering municipalities that committed to working with the social enterprise for five years. As it was a new concept, ‘Basta’ needed time to develop the idea, as well as the structure, so a long-term commitment was necessary. All municipalities initially paid

500,000SEK each year, and they all had a representative on the Board of *'Basta'* to ensure regular monitoring of the services and developments. During this process, the *'Basta'* leadership team also developed further contacts within the public and social sectors. It has been able to grow its network and today the social enterprise works with over 90 municipalities across Sweden, as well as with the Swedish Prison and Probation Service.

Over the years, the activities of *'Basta'* have been very well received by partnering municipalities. However, it took time for municipalities to understand that what *'Basta'* was trying to do was not just create a normal rehabilitation centre. Education and discussions around the philosophy behind *'Basta'*, as well as the concept of a social enterprise, have been necessary to ensure acceptance and support. The *'Basta'* team has also kept its commitment to its values and beliefs, turning down suggestions from municipalities on how to structure the business. One example was when it was suggested that *'Basta'* should hire an external Managing Director to run the company, but, true to its values of empowerment, *'Basta'* decided to hire from within and give further responsibility to existing staff, which proved to be the right decision.

As for any business, processes and business structures will change as the business grows, but the experience of the Founder of *'Basta'* shows the importance of not changing the principles and values of the organization. He also states that, as a social entrepreneur, it is fundamental to not forget you are running a company – it needs to be financially sustainable and people should

be able to build a career within the company. For a business like *'Basta'*, working within the rehabilitation sector, people also need to want to join the business to be able to create change in their own lives.

'Basta' has encountered difficulties along the way, but the business has not been afraid to admit that it does not know everything. Instead, it has hired consultants that have supported the team to put processes in place, and train team members to carry on with the work themselves. Aligned with the *'Basta'* values, this has meant that instead of hiring external people to do the job, the existing team members have been able to develop new skills, gain responsibility, and gain confidence to run the business and take control of their own lives.

A CASE STUDY FROM SWEDEN:

UNG OMSORG

Limited liability enterprise “Ung Omsorg” (in English – young care)
ungomsorg.se



The difficulties young people have in finding a first job, and the lack of meaningful human interaction for older people living in care homes, led to the idea of ‘Ung Omsorg’. Young entrepreneurs Benjamin Kainz and Arvid Morin set up the social enterprise to support young people entering the job market, as well as solving the issue of old people in care homes feeling lonely. They had seen these issues first-hand, as finding a job whilst still being under 18 years of age proved difficult, and the long distances to their own grandparents in different cities meant there was no regular contact. The entrepreneurs realised they could combine the two issues by setting up a business that would employ young people to spend time with the elderly in care homes.

Today, ‘Ung Omsorg’ employs 1,029 youngsters that work in 113 care homes all over Sweden. The youngsters spend time with the elderly, go for walks, play board games, read the paper, or meet over a cup of coffee to chat about life, giving the often very lonely older people the meaningful human interaction that they are missing. The youngsters are able to get work experience, helping them develop important skills for their future lives and careers. The activity run by ‘Ung Omsorg’ also aims to get more young people interested in social services and care, making it a more attractive future career choice.

After a couple of pilot projects in 2007 and 2008, ‘Ung Omsorg’ established an on-going partnership with the private care company Vardaga. The young entrepreneurs had energy, a will, and a new way of thinking. Vardaga trusted them, let them run with their idea and allowed them to implement steady organic growth without rushing. After the initial years, ‘Ung Omsorg’ was ready to scale and knew that additional partnerships with municipalities would be most beneficial in order to grow on a larger scale, countrywide.

Municipalities across the country had seen decreasing numbers of youngsters

wanting to get into healthcare and social services, so they knew that they needed solutions that could tackle this. They also wanted solutions to help youngsters gain work experience and make some money before turning 18, so *'Ung Omsorg'* was a good option. Today, *'Ung Omsorg'* works with 13 municipalities across Sweden and is constantly growing its reach and impact.

The municipalities *'Ung Omsorg'* has worked with have been interested in trying new things and have seen the partnerships as opportunities for mutual learning. A calm attitude and lots of patience has worked well for *'Ung Omsorg'* in dealing with lengthy processes and various levels of bureaucracy. The team has grown its network and has managed its contacts well to ensure continued conversations with municipalities as potential future partners.

One reason behind the success of *'Ung Omsorg'* has been its patient work with municipalities. Another is the fact that the Founders were young when they started and, therefore, were not too worried about failure. There was minimal risk and they were able to try things out at an early stage, learning that trying to do too many things at once can be difficult. Finding what the social enterprise does best and how to do it really well is something any social enterprise should be working towards. The young entrepreneurs also found something they were very passionate about, which meant there was an added sense of motivation and a drive towards success.



**RECOMMENDATIONS
FOR SOCIAL ENTERPRISES
AND MUNICIPALITIES**

The country overviews and case studies illustrate that existing and possible partnerships between social enterprises and municipalities vary greatly not only among countries, but also among different regions and territories within one country. There is no one perfect solution or piece of advice to fit all situations; each case is different and requires an individual approach. Yet some general recommendations, principles and lessons learned can be identified in order to improve the chances of a good cooperation and partnership outcome.

RECOMMENDATIONS FOR SOCIAL ENTERPRISES:

- One of the most central conclusions that most of the enterprises and stakeholders interviewed for this publication agree on is the fact that social enterprises need to carry out a lot of explanatory work regarding their activities. One may assume that the social value of one’s work can be easily seen and appreciated, but, in fact, social enterprises need to invest a lot of time in presenting, explaining, and defending their ideas to municipality representatives. Social enterprises also need to be persistent, patient and diplomatic in their efforts to establish partnerships with municipalities. Even though there is a general view that it should be the municipalities instructing the social entrepreneurs; it turns out the municipalities have little immediate knowledge of the practical work involved in running such an enterprise. Therefore, social enterprises should be aware of this limitation and not automatically assume full knowledge and understanding, but rather create a dialogue with local authorities and be prepared that achieving practical, tangible partnership results will take time and effort from all parties involved.
- Furthermore, explanatory work should be ongoing. While it is clear that over time municipalities will develop a better understanding of activities run by social enterprises, periodic reporting and updates on developments are crucial for maintaining trust. In small cities, this is more easily achieved, as people may meet face-to-face more regularly. In larger cities this may prove challenging, but creating a consistent feedback mechanism between the enterprise and the municipality will increase chances of fruitful and successful long-term partnership and cooperation.
- Social enterprises should be strategic in their management and use of funds, and aim for a diverse funding portfolio, long-term partnership and appropriate profit margins. If the partnership with the municipality is regular and predictable, this enables the enterprise to develop

infrastructure, improve capacity for weathering difficult years and to acquire the necessary equipment for activities. Such risk management should enable the social enterprise to retain financial viability even if they lose the municipality as a client or a partner.

- While any enterprise is likely to undergo changes over time as it faces new challenges and situations, it is crucial that social enterprises retain their core identity and philosophy, staying true to the original values that inspired their action in the first place. It is likely that enterprises will experience pressure from partners to meet certain standards of performance, but experience from Sweden shows that it is possible to navigate the various interests of stakeholders without compromising one's values.
- If conditions permit, social enterprises may be in a good position to take their time in developing their own practices and principles. If the financial flow (in any form) from municipalities is more or less assured, entrepreneurs should not hesitate to experiment with various ways of organising and managing their work. As with any new initiative, it requires time to arrive at a point where activities carried out by the enterprise flow seamlessly. Social enterprises should, therefore, not feel discouraged by initial failures.
- A recurring theme in the partnerships between social enterprises and municipalities has been patience. Many entrepreneurs emphasise the need to develop partnerships gradually, as both sides need to learn about each other and about the way their work is structured. It is unlikely that cooperation will be perfect right away and therefore, it is necessary to constantly address issues, misunderstandings, miscommunications, needs and hopes, especially at the beginning. As the case studies in this publication show, some of the most successful partnerships started many years ago, and only now have gotten to a point where everything runs smoothly.
- If the activities of social enterprises stretch across municipal borders, enterprises should be prepared to cultivate relationships with each municipality. It is by no means certain that people in all municipalities will have the same level of knowledge and attitudes regarding social entrepreneurship. Each municipality may require a different kind of approach and it is important to get a sense of this early, in order to avoid complications later on. At the beginning, it is important to organise regular meetings and exchange of information, identify the needs of the municipality, and find the right people to offer crucial guidance. Social entrepreneurs should seek out advice from social enterprises already

cooperating with the respective municipality to find out about their experience of partnership.

- As some of the case studies show, it is quite likely that any new initiative will have predecessors in the field and it is therefore useful to survey the field and identify any previous organisations that may have been involved in a similar line of work. It is highly likely that previous activities will have already made important connections and established crucial links, and therefore, it might be useful and much easier to build on this history rather than attempt to start afresh.
- As social enterprises may often replace municipalities as social, health or other service providers through public procurements, it might be useful to keep in mind that officials at municipalities still feel a certain sense of ownership over the respective issue. Therefore, as with any partner, social enterprises should recognise the contributions and investments (also personal and emotional) made by municipality and policy or decision-makers. At the same time, social enterprises should remain confident of the fact that they are indispensable actors delivering a valuable service to the community.
- It is worth keeping in mind that there may be a competition for resources going on within municipalities as well. Education, welfare, development sectors may all be consolidating their budgets and forced to set priorities, which may accordingly impact their ability to channel resources to social enterprises. It may be useful to be aware of the internal politics of municipalities.
- As the eco-system of social enterprises in all three countries tends to be relatively small at this point in time, social entrepreneurs should not hesitate to seek out advice and help from existing social enterprises or other bodies working in the field. While the field is still small, there is plenty of experience and activity, and this should be seen as a source of knowledge.
- Finally, social enterprises must constantly build their capacity to outline the social, environmental and economic impact of their activities. In terms of specific projects, this could include a summary of existing costs and how they may change as a result of their work. Alternatively, analysis could be based on internalising previously externalised costs, namely highlighting the social and environmental impact of the activities and how this compares to purely monetary assessments. The key recommendation is to justify and provide substantive economic reasoning for social entrepreneurship activities and to demonstrate an ability to think in terms of assets and liabilities. The benefits of social

enterprises are diverse and policy-makers are interested in the economic aspects of the work alongside the social and environmental impact.

RECOMMENDATIONS TO MUNICIPALITIES:

- If a municipality is interested in developing social entrepreneurship, there are several measures to consider. On a purely informative level, a municipality may organise public educational and training events, either by itself or by delegating this to outside experts (individuals or organizations). This general support can be complemented by specific and tailored assistance and consultations to individual entrepreneurs interested in either starting a social enterprise or altering an existing commercial venture. It is important that the municipality continually build its own expertise in the field if it is to give adequate and up to date support. Alternatively this function can be outsourced to expert bodies.
- The social entrepreneurship sector is too small to have separate stakeholders working independently from each other. Therefore, it is vital for municipalities, national government and expert bodies to work with the entire eco-system, enabling a strong pipeline of social enterprises being developed and scaled. There needs to be an understanding of the support available at different developmental stages, how these support measures are inter-connected, and what other countries are doing in order to create an efficient eco-system that systematically develops the sector. This can be done through annual national conferences, regional gatherings and/or stakeholder groups.
- Additionally, the municipality may serve as a coordination point between social enterprises and anyone else who might be interested in their work. In many cases, the municipality is the natural place where all information flows and relevant contacts meet. The municipality can play a coordinating role in a manner that might be useful for social enterprises. For example, if an event is to be organised and the social enterprise needs volunteers, the municipality can assist in distributing information through its channels. Or, if a social enterprise needs a business partner from a particular industry, the municipality can provide contacts for appropriate businesses in its area. Case studies in this publication show a clear benefit to having a designated official at the municipality responsible for coordinating and managing the information regarding social enterprises.

- As case studies this publication show, a crucial aspect of social enterprise and municipality partnerships and cooperation is finances. Since municipalities are responsible for the public budget in the areas where social enterprises work, there is a natural expectation on the part of social enterprise to be able to access at least part of this budget. It is important for municipalities to understand that the financial relationships between social enterprises and municipalities are not only based on a “support” mentality. In more and more cases equal, business oriented partnerships develop, where social enterprises can provide a clear business and social value. This may happen in various forms, but most notably through public procurements. In these procedures, a municipality may give priority to social enterprises, recognising their expertise in the field and recognising the fact that larger commercial enterprises may not necessarily be the best providers of services, even if they are able to do it more cost-effectively. If there is no competition between service providers, the procurement can be delegated directly to a social enterprise. Instructing social entrepreneurs in the principles and procedures of public procurement is key to developing the field as a whole. That is the reason why a dedicated person in the municipality handling contacts with social enterprises is so important. Additionally, municipalities may co-finance social enterprise projects submitted to other funders, or commission independent orders. Swedish municipalities are working on Social Impact Bonds, which are gaining momentum in sourcing funding, private and public, targeting a specific challenge where social enterprises can be service providers.
- Not all of the partnerships and cooperation needs to be financial or involve money. Partnerships can also take a non-financial form – for instance, helping to secure or by providing rent-free (or reduced rent) space to social enterprises, especially in the start-up phase. If municipalities can provide premises for free or below market price, this can be valuable assistance to the social enterprise. As many successful social entrepreneurs note, the provision of such space has been key to the development of their activities.
- Since in many cases social enterprises have a clear sense and detailed understanding, as well as hands-on experience with the social problems and challenges they work with, municipalities should use the opportunity to involve them in policy consultations and discussions, recognizing their expertise and knowledge in their respective fields. This requires close cooperation and trust. The most successful partnerships reflect exactly this kind of relationship, where social enterprises provide the necessary information and expertise to the municipalities.

This then enables them to create policy that accurately reflects reality and supports further development.

- Municipalities in need of specific services should consider researching whether there are social enterprises offering these services in other areas. Establishing cross-municipal relations and partnerships may be a good way of fostering the development of the field as a whole. Instead of cultivating the creation of a new enterprise in their territory, a time-consuming task on its own, the immediate needs of the municipality may be better served by existing social enterprises.

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