

## WP3

# “From State to Market”

## WP3 Report

### Executive Summary

**Prepared by:**

PP4 Pannon Business Network Association  
Szombathely, Hungary  
April 2014

**Jointly for our common future**

## INDEX

INDEX .....	2
FOREWORD .....	3
PUBLIC-PRIVATE-SOCIAL PARTNERSHIP .....	4
THE STATE OF THE ART: DEVELOPMENTS IN THE EU .....	4
THE STATE OF THE ART: REGIONAL OVERVIEW .....	5
Summary of Working Papers.....	5
Summary of the Local Seminars.....	5
Summary of the Study visits.....	6
MINDING THE GAP .....	7
PROPOSALS.....	10

## FOREWORD

In October 2012 the EASE&SEE project started to enabling actions for social enterprises in South East Europe. The project funded by the European Union under the South East Programme, focusing on innovative social entrepreneurship which considers Social Enterprises being active players in the business community and not only in the welfare system, aims at strengthening their relationships with “traditional” enterprises and the financial industry and implements concrete solutions to support economic development and networking at local and European level.

5 partners representing 5 regions from different EU countries in the South East Europe area decided to think together about the social enterprises. The partnership has developed a work plan based on 4 main content related work packages which are strictly linked one to each other:

- **‘From state to market’** (WP3): how and where public authorities, for profit companies and social enterprises are concretely working together with a view of creating new economic initiatives and models
- **‘Financing Sustainable Growth’** (WP4): partnership leverages on existing evidence and directly involve financial actors to understand what is out there, if and how it may be used for SEs as well
- **‘Business development’** (WP5): detailed analysis of business opportunities of each regional area with the clear goal of understanding and proposing the activation of business cluster initiatives between SEs and for profit companies with the contribution of pertinent Public authorities and the financial support and advice of financial actors
- **‘Supporting Sustainable Development Business Plans’** (WP6): business support units will test the feasibility of creating innovative social business clusters in the SEE area

The current report will summarize the results of those activities which were carried out in the frame of the **WP3 ‘From state to market’** phase. This work-package focuses on promoting the mechanisms and the benefits of making cooperation happen between public authorities, for profit companies and social enterprises. Specifically, through a transnational seminar, existing working schemes were transferred to project partners while local seminars were used to involve stakeholders from public, private profit, SEs and financial industry to discuss the schemes and adapt them. Study visits in Italy, Slovenia and Austria offered the opportunity to deepen directly with the main responsible parties of the schemes how cooperation schemes between SEs, for profit organizations, public administrations and financial investors may be implemented and to which results they can lead. A capitalization database was implemented which will be the cooperative knowledge hub of the project's topics based on previous knowledge developed through the SEE Programme as well as other programs and initiatives.

## **PUBLIC-PRIVATE-SOCIAL PARTNERSHIP**

We have witnessed a two-way process in the second half of the '20 century which resulted on the one hand development of the welfare-state and on the other hand its non-sustainability. It is a paradox that in line with the gradual dismantling of the welfare-state the society had more and more social, ecological and ethical requirements. Among the ever-changing and changed economic conditions the government could meet with these expectations only limited. This situation required new solutions from the governments. Among these solutions we can find the socially responsible investment (SRI), the corporate social responsibility (CSR) and the **Public Private Partnership** which has resulted the cooperation of the public and private sector in a controlled manner.

Nowadays the PPP is presented more power in the field of human investments, social services, which opened a new dimension for the PPP. The **Public-Private-Social Partnership (PPSP)** is the broader use of the PPP in social areas with the need of social benefit and social sustainability.

In a narrow interpretation the PPSP is a partnership which uses the toolkit of PPP (partnership of the public and private sector, joint responsibility, joint risk-sharing, long-term business agreement with mutual benefit) provides services for marginalized groups or groups with risk of exclusion with the aim of strengthening the social inclusion and decreasing the exclusion. The PPSP involves the special actors of the private sector, also the social enterprises into the partnership which have a very strong mission. These partnerships were established in the recent years to increase the employment of the disadvantaged groups and to lead them back to the labour market.

## **THE STATE OF THE ART: DEVELOPMENTS IN THE EU**

Over the last decade, the concept of social enterprise has made amazing breakthroughs on both sides of the Atlantic, especially in EU countries and the United States. It is also attracting increasing interest in other regions of the world such as former Soviet Union countries, Eastern Asia and Latin America (Defourny and Nyssens, 2008). However, it should be recalled that the term social enterprise was used for the first time in Europe (in Italy in the 1980s) to identify the innovative private initiatives established by volunteer groups that had formed to deliver social services or provide economic activities designed to facilitate the integration of disadvantaged people. At about the same time, organizations sharing similar goals were developing in a number of other European countries (Borzaga and Galera, 2012).

The situation at EU level varies from country to country and while there is a sort of common trend evidencing that social economy and cooperation among profit, not for profit and public organizations are concepts which can have positive effects on including disadvantaged target groups into the labour market policies, the ways this is done changes from country to country (and there are still many countries where this kind of approach has not been introduced at all).

## THE STATE OF THE ART: REGIONAL OVERVIEW

### *Summary of Working Papers*

The Identification form (working paper) aims at collecting the mechanisms and the benefits of making cooperation happen between public authorities, for profit companies and social enterprises at transnational level. Specifically it illustrates how public authorities - with the support of business support services and other stakeholders - may facilitate the creation of business links and clusters made up of for profit companies and SEs and how these business models may be financed in their start up phase.

A template to collect the relevant information was elaborated by WP3 leader and was circulated among the partners who completed it till 20<sup>th</sup> January 2013. The template was divided in 2 different parts: The preliminary questions are the starting point of the working paper which aims to map in each region whether this kind of cooperation approach exists or not? If yes why and how? If not why not and how could? The second part contains models for the cooperation mechanism from the partner regions.

There were 5 regions from the 6 which answer that the concept of the "cooperation approach between private-nonprofit- public" exist in their country (Austria, Bulgaria, Hungary, Italy and Serbia). Only the partner from Slovenia declared that there is any concept of this cooperation and the Serbian partner highlighted that there are many points what should be further develop that was the reason why they filled out the "NO"-part as well.

### *Summary of the Local Seminars*

The local seminars were arranged in each participating area (Italy, Austria, Slovenia, Hungary, Bulgaria, and Serbia) in order to

- mainstream the **evidences** of the translational seminar
- illustrate which **opportunities** the project may provide to project stakeholders
- present the **potential hosting sites** for the study visits
- and collect feedback from interested stakeholders

Local seminars were targeted to

- policy makers;
- entrepreneurs,
- financial advisors
- institutions (public and private).

Local Seminars were completed by 15. April 2013 and a short summary was delivered to the WP Leader by the end of June 2013 together with the completed checklists which shows the interested areas and topics related each case study.

**Jointly for our common future**

## **Summary of the Study visits**

Study visits (act. 4.3) in Italy and Austria offered the opportunity to deepen directly with the main responsible parties of the schemes how cooperation schemes between SEs, for profit organizations, public administrations and financial investors may be implemented and to which results they can lead. Study visits lasted 3 days each including: 2 days of concrete visits and 1 day to work on the cases, collect feedback and work on potential transferability activities.

The 1st study visit was organised by the Italian partners (COVE and Veneto Region) on 17-19 April 2013 and the second study tour was held by ARGE on 3-5 June 2013. In this section the visited cases will be introduced based on the study visit report.

The results of the study tours in the light of feedback from partners was the main point where the hosting partner could summarize main evidences of the evaluation questionnaires. In the final section of this chapter we try to highlight how could the study tours contribute to the development of the PPSP models and what kinds of cooperation opportunities are foreseen between the partner countries. The detailed description of the good practices is available in the document „Potential\_Study\_Visits.pdf” which is downloadable from the EASE&SEE project website.

**Philosophy which the program was built on:** present new **cooperation models** in social economy which could be **run successful** and could implement with the involvement of different actors.

**In which segment the PPSP model was realized:** most of the visited organizations are **non-profit organizations** cooperating within their business fields with the for-profit sector (B2B market) In Austria Öko-Tech can be categorized as a social business that is operating directly in the for-profit sector.

**Mission of the PPSP models:** the visited organizations work with **different types of target groups** (people with mental and physical disabilities, long-term unemployed, prisoners or former prisoners, young adults). The aim of most of the good practices is the **training and qualification** of the target groups and **their placement** in the primary labour market or in social cooperatives.

The main aim of the study visits was to see the cases in the real life and show how they operate successfully thus the partners could realize the main key factors to transfer or develop the same or similar projects in their region. So the study visits could contribute to the **development of the PPSP models** on an indirect way. Furthermore these professional tours were the starting point of a bilateral discussion in the implementation of successful elements and further cooperation among partner region's organizations.

## MINDING THE GAP

The main evidences coming out from the state of the art based on working papers, local seminars in each region as well as partners' and stakeholders' feedback on study visits could outline what evidences has a PPSP model. These characteristics could help to develop the model in the future and support the work of the decision makers in each region and at EU level as well.

### Public-Private-Social Partnership...

- is a **new approach** in cooperation among profit – non-profit sector – public sector
- is organized based on **local needs of communities and mutual interest** of the actors
- is supported by the **legislative frameworks** in each regions and promoted the establishment and operation of the PPSP cooperation – but there isn't any region or country among the partners where specific legislation on PPSP exist
- is ensured by **sustainable and continuous services or products** in a long-term condition
- is **mostly non-profit organization** which cooperates within its business fields with the for-profit sector (B2B market) and/or the public sector on a local, regional or national level or with governmental institutions
- has generally the following **target groups**:
  - people with mental and physical disabilities
  - long-term unemployed
  - prisoners or former prisoners
  - young adults
- has generally the **aim**:
  - to train and qualify the target groups and
  - to place and employ them in the primary labour market or in social cooperatives
  - to offer services for disadvantaged persons or for SEs
- is more evident/fruitful on the following **special areas(sectors)**:
  - social services: day-care, social housing, etc.
  - outsourcing obligatory tasks of the municipalities such us cleaning activity, gardening of public areas, food services and catering, etc (SE-public authorities)
  - outsourcing of industrial services such as assembly of mechanical components activity, packaging, transportations, etc. (SE-for profit)
  - reuse - recycling
- has the following **strengths**:
  - Corporate Social Responsibility;
  - local orders help the organization to ensure the sustainability of the activity;
  - reduce the unemployment;
  - able to give differentiated and adequate answers for local problems;
  - create Win-Win Situations;
  - clear arrangements about the responsibilities and inputs;

- fair distribution of profit and risks;
- common decisions;
- each partner maintains its own identity;
- sympathy and trust between the cooperating persons
- has the following **weaknesses**:
  - cultural differences (profit vs. non profit);
  - bureaucracy;
  - low sensibility of for profit organizations and public administration;
  - depending on the current political will and financial resources;
  - competition between the for-profit and non-profit sector: both plan to receive the same work; no management resources;
  - potential coming out one of the partners would jeopardize the work; lack of entrepreneurial skills and marketing skills

Due to the WP3 activities there are some **concrete cooperation ideas** which arise from the partners thanks to the local seminars and study visits:

- possibility of transferability of knowledge and business fields from Italy to Austria and vice-versa: In Italy the sorting and re-use of textiles in social cooperatives seems to be a common business field, Austria is interested to find out more about it.
- the Slovenian project partner reported that they want to realize a similar model like Öko-Service in their own country, establishing cooperation between a social enterprise and some municipalities.

The study visits were the starting point of a bilateral discussion in the implementation of successful elements and further cooperation among partner region's organizations. The EASE&SEE project offers possibility to facilitate this kind of initiative through the further activities e.g. WP4 - identification of innovative financial tools, WP5 - business development plans and WP6 – Business Supporting Units.

Additional result of the WP3 activities was that the participants in the local seminars and study visits **realized new sectors** in which they are interested or see the possibilities to start a new business. You can see here those areas where the PPSP model in the future can bring viable and marketable cooperation:

- cultural business
- eco-fashion
- reuse design sector
- social and accessible tourism
- social farming and organic agriculture
- re-use of textiles in social cooperatives

**Jointly for our common future**

As an additional project input the **Capitalization database** could be useful for the promotion of Public-Private-Social Partnership model. The database is available on EASE&SEE project website ([www.easeandsee.eu](http://www.easeandsee.eu)) and it is for knowledge sharing, comments and

dissemination purposes. Our databases represent a collection of country information relevant to our project purposes, interesting cases of Public Social Private Partnerships (WP3 - From State to Market), Financial Actors, Instruments and Guidelines (WP4 - Financing Social Sustainable Growth), Market Analysis Reports (WP5 - Business Development) which may be of interest to our partnership, their stakeholders and anyone willing to start new economic activities.

The „From State to Market“ session is divided two parts which are strictly link to each other. The **'State of the Art of Public Social Private Partnerships'** section presents country fact sheets on the development of Public Social Private Partnership concept. The overview takes the ground from the SEE Programme Area in order to increase the quality and quantity of evidence base, the overview has been extended to almost all European countries thank to the contributions of our Observers and other EU networks. The **'Case Studies on Public Social Private Partnerships'** part presents case studies of businesses, initiatives and partnerships which have been activated in cooperation with profit, not for profit and public administration. The studies cover both the SEE Programme Area as well as other EU areas in order to provide a wider picture and enlarge our knowledge about these initiatives.

## PROPOSALS

Social enterprises offer a model for 21st century business that balances financial, social, cultural and environmental needs. In the PPSP model these aims could be reached in a most effective way with the cooperation of the public-private and social sectors. In the previous chapters it was clearly outlined that there must be a **stronger engagement** at EU, national, regional and local levels with the social enterprise community in the co-creation of new policies to support social enterprise through PPSP, suited to the local context.

Thanks to the more than 1 years work of the partnership in the field of Public-Private-Social Partnership model there are some proposals which are formulated during the WP3 activities. These suggestions are indicative actions which could be main inputs for the decision makers at EU, national, regional and local level as well.

Specifically:

- further **researches** on....
  - specific legislation on how to support PPSP model in other EU countries
  - collection of the existing materials, studies related to the social economy and evaluation of them (e.g. previous project calls and results)
  - how to make a social report at EU/national/regional/local level
- **creating a supportive environment for social enterprises**
  - **necessity of tuning of the legal framework** - It exists but it needs some adjustments in order to create wider space for SE participation in PPP
  - **innovative financial tools** for social cooperatives and social entrepreneurship (e.g. Venture capital/equity, Crowd funding, Social bonds)
  - **research and innovation tools** for social enterprises
- **strengthening capacities of SEs** - development of the entrepreneurial and marketing skills of SE
- support them to find "**niche market activities**"
- **provide supporting system:** management skills, financial resources, marketing and sales system (e.g. access to foreign markets)
- **establishing info centre** for providing support to social enterprises
- ensure **regular communication, promotion and networking**
- **internationalization**
- **marketing strategy** with clear missions to highlight the importance of the SEs and PPSP models
- **highlight the added value of social cooperatives** in the industrial sectors as they often are not adequately visible and specially enhanced
- **increase the sensibility** of for profit organizations and public administration
- **change of attitude** of the CEOs and HR manager: Do not wait for "done" person, but also provide the opportunity for the employees to become professionals

- **improve the relationship between enterprises and public administration** in terms of bureaucracy and roles (as mediator between profit and not for profit entrepreneurs)
- **expand partnerships** between for-profit and social enterprises not only in terms of economic activities related to work integration, but also to develop projects of "corporate welfare"
- Promote partnerships with social enterprises in order to achieve a **new strategy of corporate social responsibility** with "shared value" among a large number of stakeholders, especially at local level
- investment to restart **high quality productions**
- the **business development tools will be available** for social enterprises as well (e.g. small changes in the regulations of credits make available the business development tools for SEs as well)
- **stronger involvement of financial sector** in this field ( banks, funds)
- Overall the goal is that the development strategies **look at the social enterprise as an enterprise** namely its economic development effects come from the entrepreneurial existence. Unfortunately this topic appears many times as Human Resources problem

The EASE&SEE project aims to offer a **pilot implementation for the listed items** in order to strengthen the social enterprises. The business ideas which came from the WP3 activities (local seminar, study tours, etc.) will be elaborated and business plans will be produced in the frame of the WP5. These ideas will be facilitated by the Business Supporting Unit (WP6) in each partner region.

The partnership knows quite well that evidence of opportunities and financial resources are not sufficient to make things happen. A quite relevant part of the work (WP5) will be dedicated to a detailed analysis of business opportunities of each regional area with the clear goal of understanding and proposing the activation of business cluster initiatives between SEs and for profit companies with the contribution of pertinent Public authorities and the financial support and advice of financial actors. The work will include "traditional" **business planning and innovative business meetings** where stakeholders will be guided to jointly invest in economic opportunities. Our goal is to create the preconditions to new economic relationships based on demonstrated win win situations.

**Business Support Units** (WP6) will be activated by the partnership and be available during this phase for on demand service requests. Their role will be to follow up social enterprises eager to start with new economic activities, create business connection between SEs and for profit companies, advice public authorities on the ways to stimulate the creation of innovative social business clusters where SEs, for profit companies and financial actors contribute to add value to the sectorial economic value chain.