

Consultation on Draft National Social Enterprise Policy for Ireland 2019-2022

Citizens Information Board Response to the Department of Rural and Community Development consultation.

Introduction

The Citizens Information Board (CIB) welcomes the development by Government, led by the Department of Rural and Community Development, of a National Social Enterprise Policy. Such a policy is clearly necessary in order to optimise the potential contribution of individuals, groups and local communities in ensuring both better quality services and best use of available resources. CIB has an interest in social enterprise for a number of reasons. Firstly, the availability of quality public services is a key concern for many of the people who use our services – Citizens Information Services (CISs), Money Advice and Budgeting Services (MABS) and the National Advocacy Service for People with Disabilities (NAS). Secondly, CIB was actively involved in the establishment of the personal micro-credit initiative ('It Makes Sense' loans) in conjunction with the Social Finance Foundation. Thirdly, CIB has a strong commitment to social inclusion and developing the potential of local communities in that regard. We see the promotion of social enterprise as an integral part of government support for the voluntary and community sector which is a core component of our service delivery infrastructure. We welcome the inclusion of a national social enterprise policy as part of a suite of measures for the development of the voluntary and community sector¹.

The Submission contains three sections.

Section 1 sets out some general and contextual observations relating to social enterprise in Ireland.

Section 2 addresses the specific consultation questions listed in the Draft Policy Document.

Section 3 provides a synthesis of key points.

¹ CIB has also responded to related consultations on supports for this sector, including a submission on a national volunteering strategy to the Department.
http://www.citizensinformationboard.ie/downloads/social_policy/submissions2019/National_Volunteering_Strategy_CIB%20response%20_Feb_2019.pdf

General and contextual observations

Defining 'social enterprise'

The Draft Document may imply that all social enterprises are similar, which is not the case, given that they range from small-scale service providing organisations to larger profit-making enterprises involving entrepreneurship and marketing. There is also a need to make a clearer distinction between social enterprises that are an integral part of the voluntary and community sector as it currently operates in Ireland (with its focus on service delivery and to a lesser extent on local development) and the broader SME sector. In this regard, there is a need for a stronger emphasis in the Policy Document on social purpose and social objectives which are the core characteristics of social enterprise. This is all the more important given the Department's stated position that social enterprises are, and would remain, for the most part a subset of the Voluntary and Community sector.

Funding to support social enterprise

A major challenge for new social enterprises, as for any new business, is to find start-up capital in order to develop appropriate structures to successfully tender for public service contracts. As observed in the 2013 Forfás report on social enterprise, "Given the nature of its activities (which often require a level of subvention, especially at the start of the company lifecycle), funding and finance is critical to social enterprise, at least to the same extent as it is to SMEs".²

Key to the effectiveness of the National Social Enterprise Policy will be provision for start-up capital for social enterprises in order to enable them to build the business to a point where they have the capacity to successfully tender for public service contracts and/or to market their products in a proactive manner.

Role of community banking

Currently, social lenders such as Clann Credo and Community Finance Ireland provide practical alternatives when finance is not forthcoming from commercial lenders. A community banking system which includes the objective of supporting local and regional economic development as well as enhancing financial inclusion for individuals excluded from mainstream banking has significant potential for supporting the social enterprise sector in terms of both start-up financing and ongoing provision for credit³. The local public banking model as set out in the 2018 Joint Report on Local Public Banking in Ireland⁴ has as one of its primary goals to achieve regional and rural development through the support of a

²Forfás (2013), *Social Enterprise in Ireland: Sectoral Opportunities and Policy Issues*, p.26

https://www.tcd.ie/business/assets/pdf/centre-social-engagement/23072013-Social_Enterprise_in_Ireland-Sectoral_Opportunities_and_Policy_Issues-Publication.pdf

³ CIB recent submission to the community and local banking services evaluation commissioned by the Minister for Finance and Public Expenditure and Reform which is being undertaken by Indecon Economic Consultants.

⁴ <https://drctd.gov.ie/wp-content/uploads/Joint-Report-on-Local-Public-Banking-v3.pdf>

banking infrastructure that can support a vibrant indigenous productive sector. Clearly, social enterprises can play a significant role in this regard.

Public procurement

As indicated in the Draft Policy, many social enterprises work closely with public bodies in the delivery of their services and often provide services that would not otherwise be provided by the State or by private sector providers.

A key part of the Government's public procurement agenda involves encouraging a spectrum of businesses, and especially SMEs, to participate in competitive tendering for public contracts. Social enterprises may often be best placed to deliver certain types of contracts, for example, services to disadvantaged communities, people with disabilities and older persons requiring care and support. However, they may not always be in a position to submit competitive tenders, particularly where social outcomes are not regarded as central.

Revenue from public procurement will almost certainly be a significant source of income for many social enterprises. Indeed, one of the critical success factors identified in respect of countries/systems with successful, vibrant social enterprise sectors is the proactive use of public procurement to support the sector.⁵ The scale of funding available for public tender in Ireland is substantial and this alone means that a sound business case can be made by many social enterprises. However, the challenge for new social enterprises, as for any new business, is to find start-up capital in order to build the business to the point where it has the capacity to successfully tender for public service contracts. This is a pressing necessity since, without it, no further development of a social enterprise may be possible.

While loan and equity capital may be available to fund the start-up phase, this would reduce the capacity of the social enterprise to tender for services at competitive prices. The option of borrowing start-up capital for social enterprises is unlikely to be commercially attractive, because future revenues will frequently come through public procurement and the purchaser of services will seek tenders at competitive prices which are unlikely to cover the cost of servicing providers' debts.

Public sector reform

Public sector reform, as defined by the Department of Public Expenditure and Reform, involves five major commitments to change:

- (i) Placing customer service at the core of service delivery
- (ii) Maximising new and innovative service delivery channels
- (iii) Radically reducing costs to drive better value for money
- (iv) Leading, organising and working in new ways, and

⁵ <https://www.paulpartnership.ie/wp-content/uploads/2018/11/Lorraine-Corcoran-Realising-the-Potential-of-Social-Enterprise.pdf>

- (v) Maintaining a strong focus on implementation and delivery.⁶

The aims of public sector reform could be applied just as easily to social enterprise policy and social enterprise development needs to be aligned with the above requirements of public sector reform. In addition, social enterprise has the potential to create sustainable, stable and high-quality employment for relatively vulnerable social groups and, in so doing, is likely to generate multiplier effects by collaborating with other local and community development initiatives. Social enterprise can contribute much to the national priorities of high quality services and value for money. The National Social Enterprise Policy should reflect this.

Social enterprise can build on four principles that are widely recognised as constituting the essence of quality in all public services:

- 1) Individualisation of support and care according to individual needs and preferences
- 2) Integrated networks of support and care in defined geographical areas
- 3) Innovation with regard to the nature and methods of service delivery
- 4) Ensuring accountability in the best use of resources and in delivering the best possible outcomes for citizens

One of the vehicles for bringing about public sector reform is the 'purchaser/provider split'. This is one of the enabling conditions for social enterprises where they can demonstrate innovative and cost-effective ways of providing services. For example, a substantial opportunity exists to contribute to providing services for older people, within the existing budgetary framework and through more innovative configurations of services at local level. If the total amount of money available for different kinds of care for older people, within a distinct geographical area, was available for tendering by social enterprises, this would create a significantly different dynamic and would likely provide a stimulus for innovation and more effective use of resources.

Crucial role of Local Authorities

Local authorities are inextricably linked to communities through both the representative and participative democratic processes. They can play a central role in supporting social enterprises, given their particular responsibilities and expertise in delivering national strategies at a local level through, for example, social inclusion measures, age-friendly strategies and inter-cultural strategies. As facilitators of the Local Community Development Committees, Local Authorities can support social enterprise by:

- Promoting collective action to solve problems
- Building on strengths and potential within local communities
- Promoting networking and communication within communities

⁶ <https://reformplan.per.gov.ie/2014/downloads/files/Reform%20Plan%202011.pdf>

Addressing the Consultation Questions

Policy Objective 1: Creating Awareness of Social Enterprise

The suggested policy measures are intuitive and relevant. However, the National Policy must include a commitment to developing an implementation plan with clear and realistic timeframes and related KPIs.

Active consideration needs to be given to promoting an ethos of social enterprise within the formal educational system, perhaps in the context of active citizenship. An education system which promotes active citizenship is likely to contribute to the creation of a positive climate for social enterprise. School curricula could do much more to give young people a broader understanding of social enterprise and a broader perspective on how people can contribute to society.

The central role of Local Authorities in promoting social enterprise needs to be more strongly stated in the National Social Enterprise Policy Document.

Initiating social enterprises

There is a clear need for a strong proactive approach by Government to supporting social enterprises as part of the public sector reform agenda and in highlighting a more central role for the sector. Better provision for start-up financing is absolutely crucial in this regard.

Policy Objective Two - Growing and Strengthening Social Enterprise

There is some sense from the Draft Policy that it is expected that much of the initiative would come from local communities and people with entrepreneurial skills and an interest in their communities. However, while some of this will occur, proactive stimulation and encouragement will be required in the context of developing new models of service delivery and tapping into the potential within local communities.

While the Draft Policy Document states that organisations will be best placed, themselves, to select the supports that are available through various initiatives to meet their particular developmental needs, the fact remains that there are simply not enough supports available to develop a vibrant and fully functioning social enterprise sector. As the Document itself states, the need for improved access to appropriate supports for social enterprises has been highlighted by stakeholders on many occasions.

Leadership and Governance

More support structures are required, including, in particular:

- The provision of adequate support structures for Boards of Management/Directors of social enterprises
- Supporting social enterprises to engage in medium and long-term planning and the provision of funding accordingly
- Meeting the essential training and skill development needs of staff
- Enabling evaluation and impact assessment on an ongoing basis

- Capacity-building among voluntary and community organisations to engage in a social enterprise

Access to Finance and Funding

Aside from public procurement, the main public sources of funding for social enterprises in Ireland include employment supports, some loan and equity finance and EU funding sources. As already noted, in order to reach the point of sustainability, an enterprise will require start-up capital – this is undoubtedly a pressing necessity.

The EU is a potential source of revenue for social enterprises, albeit indirectly. The role of the European Commission Social Business Initiative is described as an invitation to national and regional governments and stakeholders to develop eco-systems for social enterprise, to strengthen efforts at national and regional levels, and to make best use of the structural funds and other available sources of support”.⁷ While the Social Business Initiative is not a direct source of funding for social enterprises, it is designed to improve access to funding, mainly through reform of public procurement, easier access to ESF and ERDF, and a common framework for funding social entrepreneurship called the European Social Entrepreneurship Funds (EuSEF).⁸ This potential funding avenue should be explored further.

Social impact bonds⁹ were referenced in the 2011 Programme for Government. These have been the subject of pilot studies in the UK, but have not been implemented in Ireland. Some consideration of the matter by key stakeholders in 2011 suggested that their applicability may be limited in Ireland, mainly because of substantial deficits in the knowledge required to specify what outcomes can reasonably be expected for what level of resources and because of significant legal and technical implications and additional administration costs.¹⁰

Given the need to ensure that a social enterprise policy is linked to improving social outcomes, the option of social impact bonds could be re-visited and explored further as part of the implementation of the National Social Enterprise Strategy.

Enabling market opportunities

Given that, as already stated, much of the social enterprise associated with the community and voluntary sector will be related to tendering for public services, the focus should be on ensuring that social enterprises are not at a disadvantage in competitive tendering and that full cognisance is given to social goals and social outcomes in addition to specific outputs.

⁷<https://ec.europa.eu/docsroom/documents/14583/attachments/3/translations/en/renditions/pdf> p.3.

⁸ European Commission (2013). <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R0346&from=EN>

⁹ A social impact bond is a particular type of contract between a statutory purchaser of services and a not-for-profit provider, but differs from a conventional service contract in that payment is based on the delivery of improved social outcomes rather than on an agreed quantum of services.

¹⁰ Clann Credo (2011), *From the Ground Up; Irish Government Economic Evaluation Service (IGEES)* <https://igees.gov.ie/social-impact-investments-in-ireland-learnings-from-the-pilot-initiative/docx.pdf>https://www.clanncredo.ie/gfx/uploads/FTGU_Report_with_Ministers_Intro.pdf

It is also the case, as acknowledged in the Draft Policy Document, that supports are needed in areas such as business planning, mentoring, capacity building, leadership and governance, impact measurement and financial planning.

Policy Objective Three - Achieving Better Policy Alignment

Interaction with national and international policies

While linkages with national and international policies are clearly important, at a more fundamental level linkages at local level are probably more important. While there is (as referenced in the Draft Document) an opportunity for social enterprises to benefit from improved networking and information sharing at local level, there is a need for a much more organic form of collaboration at local level which would seek to eliminate dysfunctional competitiveness within communities. Enhanced networking (local, regional, national and sectoral) could benefit social enterprises and increase their capability. There is a clear need to go beyond the networking stage and engage in co-ordination, collaboration and ultimately integration in order to fully develop social enterprise capacity at local level and, indeed, at national level¹¹.

Data and Impact

The issue of lack of data on the sector and impact analysis needs to be addressed. More is required in terms of developing a research approach targeted at identifying social outcomes relating to community integration, social inclusion and quality of life domains in order to complement data on specific and quantitative outputs. There is a clear need for systematic and focused research on:

- 1) The current role and extent of social enterprises across the country – providing a clear nationwide picture of the nature and extent of social enterprise
- 2) Areas and domains where a social enterprise approach is likely to be beneficial
- 3) Quantifying, as far as possible, both the *social* value of social enterprises as well as the *economic* value
- 4) Identifying and overcoming blockages to social enterprise
- 5) A critical evaluation of the state supports for social enterprise currently available

Research already carried out and referenced in the Draft Policy Document should be made available in the context of the formulation of this policy.

Policy implementation

The proposed Implementation Group to oversee the delivery of the social enterprise policy should include representation from the broader Community and Voluntary sector as well as

¹¹Himmelman's typology which identifies a range of practices – from networking to integration and including in between coordination, cooperation and collaboration—is relevant here. Himmelman, A.T., (2002), *Collaboration for Change: Definitions, Decision-making models, Roles, and Collaboration Process Guide*, https://depts.washington.edu/ccph/pdf_files/4achange.pdf

established social enterprises. This is necessary in order to ensure that it remains central to the development of a partnership approach at both national and local levels.

Concluding points

Guiding all social enterprise supports must be a concern with the social impact of the investment made from public and community funds. Social enterprise can play a significant role in aligning services to people's needs and preferences, improving system efficiency and reducing service access inequalities. Social enterprise can create viable, high-quality sustainable jobs, and in collaboration with local development partnerships can contribute to local and community development. Provided they are made an integral part of the local development infrastructure, they can act as a strong catalyst for change and can enhance service Integration at local level. The National Social Enterprise Policy needs to be located clearly within a local development framework. The issue of finance for social enterprise, particularly at start-up time is critical. As part of an integrated strategy, the proposed new public banking model currently being considered by Government should, therefore, address the banking needs of diverse social enterprises as well as those of commercial SMEs.

While the local dimension to social enterprise is hugely important, there would be merit in having a national dimension and structures which would facilitate and support the development of local trusts and carry the overhead costs associated with, for example, preparing business plans, tenders and funding applications, developing quality assurance procedures, staff training and development, payroll and publicity.

As a final point, the traditional community and voluntary sector should not be left behind in the emerging policy context of championing social enterprise. In this regard, care must be taken to ensure that any additional funding for social enterprises does not take from the funds available for existing work by community and voluntary organisations.