

# **EQUAL**

## **COMPENDIUM ON INCLUSIVE ENTREPRENEURSHIP**

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The views expressed in this compendium in no way reflect those of the European Commission.

# Contents

<b>1. Introduction .....</b>	<b>3</b>
<b>2. Evidence and practice .....</b>	<b>5</b>
<b>2.1. Building the culture and conditions for entrepreneurship.....</b>	<b>6</b>
2.1.1. Welfare bridges from benefit to self-employment.....	6
2.1.2. Entrepreneurship education in schools & colleges.....	8
2.1.3. Role models and the media .....	13
2.1.4. Community capacity building .....	15
<b>2.2. Integrated business support for all.....</b>	<b>20</b>
2.2.1. Strategies for getting out into hard-to-reach communities.....	20
2.2.2. Hybrid solutions for business support (self-employment co-operatives).....	23
2.2.3. Incubators/workspaces .....	26
2.2.4. Mentors and coaches .....	31
2.2.5. Quality standards for advisers & programmes .....	36
2.2.6. Training .....	42
<b>2.3. Access to appropriate business finance.....</b>	<b>47</b>
2.3.1. Outreach & research on special groups .....	48
2.3.2. Financial literacy & capability .....	53
2.3.3. Adapting financial products.....	56
2.3.4. Partnerships with banks to access finance and financial services.....	60
2.3.5. Financial advice & debt crisis management .....	63
2.3.6. Value for money from social firms .....	67
<b>2.4. Building sustainable enterprises among disadvantaged groups.....</b>	<b>73</b>
2.4.1. Post start-up support .....	73
2.4.2. Transfer of existing businesses .....	77
2.4.3. Replication & franchising .....	79
2.4.4. Opening up larger markets .....	83
2.4.5. Building competitive supply chains.....	89
2.4.6. Handling exclusion through social firms .....	93
<b>3. Community and capacity development.....</b>	<b>98</b>
<b>3.1. COPIE – the Community of Practice in Inclusive Entrepreneurship .....</b>	<b>99</b>
3.1.1. The COPIE benchmarking tool.....	99
3.1.2. The COPIE social networking site .....	100
3.1.3. The Wikipreneurship wiki.....	100
<b>3.2. Useful links.....</b>	<b>103</b>
3.2.1. Analytical reports .....	103
3.2.2. Reports of inclusive entrepreneurship events .....	103

## 1. INTRODUCTION

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This compendium draws together the lessons learnt on the subject of inclusive entrepreneurship during the EQUAL programme, which ran from 2002 until 2007. As a Community Initiative within the European Social Fund, EQUAL's role was to provide an experimental laboratory within which new methods could be developed, through transnational working, to reduce inequality and discrimination in employment. EQUAL supported projects in four pillars – employability, entrepreneurship, adaptability and equal opportunities. The entrepreneurship projects fell into two themes – business creation and the social economy.

To make its lessons stick, EQUAL adopted an innovative operating method. Rather than support time-limited projects, it obliged project promoters to combine to form '**development partnerships**'. These brought together different types of organisations – for instance local authorities, colleges, employers and trade unions – so that a collaborative network was built up which would outlive EQUAL and increase capacity permanently. EQUAL also placed great importance on **mainstreaming** – that is, making a real difference by creating changes in policy and practice.

EQUAL's 634 entrepreneurship projects involved some 5,000 partner organisations across 18 of the European Union's Member States. Their work was overseen by a European Thematic Group<sup>1</sup> under whose auspices a series of events and mainstreaming actions took place.

This compendium comprises three parts:

- Introduction
- Evidence and practice
- Community and capacity development.

In Part 2 on evidence and practice, the compendium draws on the results of this thematic work, and sets out in a collection of 22 'minibriefs' what the proven ways are to enable more people to take up an economic activity on their own account. The 22 minibriefs make up the four pillars of the **entrepreneurial ladder out of social exclusion**. These are:

- **Creating the culture and conditions for entrepreneurship:** educational curricula, role models, tax-benefit regimes, work-life balance, reducing physical barriers;
- **Business support for all:** outreach and engagement, specialist and generalist support, mentors, incubators, one stop shops, recognised quality standards and training for mainstream services, support for social entrepreneurship, aftercare;
- **Access to appropriate finance:** microfinance, methods for controlling risk, links with grant regimes, broader finance for initiatives that create jobs and local development;
- **Opening markets:** access to private and public markets, niche marketing in growth sectors, creating new markets out of social need, public procurement, social auditing.

EQUAL's experience shows that, even when different actors are responsible, each area should be aligned with the others like the sides and rungs of a ladder.

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<sup>1</sup> [http://ec.europa.eu/employment\\_social/equal/activities/etg2\\_en.cfm](http://ec.europa.eu/employment_social/equal/activities/etg2_en.cfm)

## Entrepreneurial ladder out of social exclusion



So for example, simply focusing on better training and improving the administrative and tax environment is definitely *not* enough to ensure that people successfully make the transition from unemployment to a sustainable business. Similarly, to ensure that finance reaches the people who most need it, and does not simply increase their indebtedness, it must be delivered along with carefully designed business support. Finally, if consolidation and growth to access the markets are not there, the indiscriminate promotion of start-ups can be a one-way ticket to bankruptcy.

There are two guiding principles for keeping these four elements of the ladder in line with each other:

- on the demand side, policies must be *user led*. In order to prevent social exclusion, this involves a series of methods for finding out and responding to the real business needs of people who face discrimination in the labour market.
- on the supply side, *partnerships* are one of the main tools of inclusive policy implementation. These are transversal elements that must run through the strategy.

In each 'minibrief', we outline the challenge to be met, give a set of examples of how the problem has been addressed, and list recommendations for mainstreaming as well as references to source documents online – mostly on the EQUAL website. Though most of the examples given come from work carried out within EQUAL, some come from outside the initiative, especially in the field of microfinance.

In Part 3, the compendium introduces learning tools and networks created during the EQUAL programming period, allowing better community and capacity development. It also gathers major bibliographical references and useful web links on related issues.

# Evidence and practice

## **2.1. BUILDING THE CULTURE AND CONDITIONS FOR ENTREPRENEURSHIP**

EQUAL has helped to change the mindsets and improve the conditions that allow under-represented groups to start a business.

People only turn to business advisers and banks when they are at least thinking about becoming an entrepreneur. However, the experience of EQUAL and many similar initiatives, is that the problem for many disadvantaged groups and areas starts far earlier on than this. For various reasons they may not even consider entrepreneurship as an option at all.

Entrepreneurship appears particularly difficult when communities have depended for a long time on traditional agricultural, industrial or public sector activities. Some EU Member States report that start-up rates are ten times lower in their worst performing areas than in their best. Similarly, certain groups may have little tradition of entrepreneurship and few positive role models to base their judgement on. The administrative cost and the risk of losing out in terms of taxes, benefits and other income can also act as a real disincentive. Approximately half as many women as men set up a business, and the proportion of self-employed young people and ethnic minorities is lower than that for the population as a whole.

On the other hand, certain ethnic groups have an extremely strong tradition of entrepreneurship. Similarly, the millions of Europeans who survive through some form of informal activity are practicing small-scale entrepreneurship every day. In France around 40% of the 300,000 businesses created each year are set up by unemployed people. They show that successful entrepreneurship does not depend primarily on formal education, class, gender or racial stereotypes.

In this context, strategies for improving business support and access to finance can only affect the tip of the entrepreneurial iceberg. Unless enough people want to become entrepreneurs in the first place, the banks and advisers will find themselves competing for a relatively small proportion of the potential field. So the long-term challenge is to develop strategies for changing both mindsets and some of the objective conditions that are necessary for opening up entrepreneurship in the formal economy to a far wider public.

To address the challenge of engendering cultural change, so as to encouraging entrepreneurship among the disadvantaged people to take a more entrepreneurial attitude to working life, EQUAL explored solutions in four areas. These are described in the four sections in this chapter:

- Welfare bridges from benefit to self-employment
- Entrepreneurship education in schools and colleges
- Role models and the media
- Building capacity in the community

### **2.1.1. Welfare bridges from benefit to self-employment**

#### **2.1.1.1. *The challenge***

One of the first steps of EQUAL and similar projects in the field of entrepreneurial culture has been to try to improve the two-way information gap that often exists between business support systems and potential entrepreneurs from disadvantaged groups and areas. This involves both obtaining first-hand knowledge of the real obstacles these groups face and also building trust and providing more reliable information to them.

### **2.1.1.2. How EQUAL has approached the issue – examples**

#### **○ Research**

Providers of business support services participating in EQUAL have undertaken extensive research to acquire better intelligence about the barriers, the specific business support needs, profiles and opportunities of disadvantaged groups, areas and sectors (i.e. the social economy). The results of this research have been directly used:

- To provide guides on routes out of benefit dependency into entrepreneurship that try to overcome the major hurdles faced by disadvantaged people and by all those in the submerged economy when trying to move from social security benefits into self-employment. On the basis of international comparisons, a series of policy recommendations for improvements to benefit systems and proposals that should be taken into account when providing business advice have been formulated in some countries.
- To increase the quality of business support strategy and procedures in national and regional programmes by adapting them to the needs of under-represented groups – for example, specific targets and monitoring arrangements which take into account the needs of specific groups, contracts specifying when, how and how much specialist outreach services intervene, when they hand over to mainstream support services, and quality guidelines for specific services, such as women-friendly business incubators.
- To train both specialist and mainstream business advisers to take the differences between potential entrepreneurs into account.
- To allocate more resources to business support programmes and schemes, targeting under-represented groups (up to 30% of the budget for entrepreneurship).

Business start-ups have been shown to increase by up to 20% per annum in regions where the above approaches have been undertaken.

#### **○ Smoothing the transition from benefit to entrepreneurship**

Through the Créative project,<sup>2</sup> EQUAL has helped a very successful new style of business incubation, particularly suitable for disadvantaged clients, to spread across Europe from its birthplace in France. Business and employment co-operatives (BECs) build new bridges between benefit dependency and independent economic activity by combining peer support with incubation services. Since the first was started in 1996, a wave of some 70 has sprung up all across France. Further afield, there are eight in Belgium,<sup>3</sup> ten in Sweden,<sup>4</sup> and there are also BECs in Morocco, Poland,<sup>5</sup> Madagascar and Quebec.

BEC clients are in all sorts of activities from cookery, industrial cleaning, furniture restoration and organic horticulture to violin making, jewellery, translation and web design. BECs are launch pads that provide budding business people with an easy transition from inactivity to self-employment. Intending entrepreneurs pass through three stages:

- First, they remain technically unemployed but develop their business idea under the wing of the BEC. The BEC takes care of the administrative headaches, which frees them to focus on succeeding;
- Next, if it looks like being a success, they become that oxymoron, a 'salaried entrepreneur' with the security of a part-time employment contract;
- Finally they become a self-sufficient business, sharing in the ownership and management of the co-operative.

BECs thus provide the small business person with the best of both worlds – control over one's working life, but with the support of a group of people who are facing the same problems and want to pool their enthusiasm and expertise. They help to overcome one of the most

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<sup>2</sup> The Créative project is strengthening the identity of business and employment co-operatives through branding, and establishing a territorial structure both within France and transnationally.

<sup>3</sup> for example De Punt

<sup>4</sup> Egenanställning, referred to in the article on the seminar held at the European Parliament in December 2006

<sup>5</sup> Partnerstwo Inicjatyw Nowohuckych

discouraging features of becoming self-employed – isolation. They thus lower the bar for becoming an entrepreneur, and open up new horizons for people who have ambition but who lack the skills or confidence needed to set off entirely on their own.

### **2.1.1.3. Recommendations for mainstreaming policies**

Tax and benefit policy play a crucial role in encouraging all sections of the population to take the risk of going into business. Welfare systems can unwittingly deter people from making the leap into earning their own living, by making income support conditional on being available for work. Schemes such as Enterprise Allowance, under which unemployed entrepreneurs could retain their benefit while testing their business idea, have enabled many people in Britain and Ireland to set up on their own.

### **2.1.1.4. Links to EQUAL case studies**

Créative (F) :

<http://www.avise.org/spip.php?article307>

De Punt (B):

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc6-socialact.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc6-socialact.pdf)

Egenanställning (S):

[http://ec.europa.eu/employment\\_social/equal/news/200702-bec\\_en.cfm](http://ec.europa.eu/employment_social/equal/news/200702-bec_en.cfm)

Partnerstwo Inicjatyw Nowohuckych (PL):

[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-07-nowa\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-07-nowa_en.cfm)

## **2.1.2. Entrepreneurship education in schools & colleges**

### **2.1.2.1. The challenge**

The Lisbon European Council in 2000 established entrepreneurship as a basic skill that education in EU Member States should provide. The EU also recognises entrepreneurship as a key competency for growth, employment and personal fulfilment.<sup>6</sup> However, while most European countries have made a policy commitment to promote learning about entrepreneurship, it has yet to gain widespread recognition as a core subject in our education systems.

On top of this, as a career option, entrepreneurship compares poorly to work as an employee. In fact, a 2007 EU Barometer poll showed that only 45% of Europeans, compared to 61% in the US, would prefer to be their own boss.

Cultural support through educational programmes can play a vital role in fostering an entrepreneurial mindset in Europe as well as providing the skills to make this possible. Research suggests that such support can positively affect the level of entrepreneurial activity. However, skills such as creativity, innovation, independence and initiative are also highly transferable to the workplace as an employee, and to daily life.

The European Commission, together with many EQUAL partners, recognises the role of education in schools in stimulating young people's awareness of entrepreneurship as an option for their future and helping them to be more creative and self-confident in whatever they undertake. They believe this should start from an early age as well as being integrated as an important part of the curriculum in universities and technical institutions.

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<sup>6</sup> 2006 Communication from the Commission on Implementing the Community Lisbon Programme: Fostering entrepreneurial mindsets through education and learning, 2006.



The Oslo Agenda for Entrepreneurship Education in Europe and the Commission Communication on fostering entrepreneurial mindsets<sup>7</sup> offer a broad range of policy proposals including support for curriculum reforms, the embedding of entrepreneurial behaviour in school pupils and students, and the celebration of entrepreneurship education activities that work well. EQUAL is supporting a number of projects in Europe that have put such proposals, and others, into action with a special focus on disadvantaged groups.

#### **2.1.2.2. How EQUAL has approached the issue – examples**

A search on EQUAL website shows a total of 172 projects supporting entrepreneurship education between 2002 and 2008. This group of EQUAL partnerships has been at the forefront of initiatives focusing particularly on the needs of under-represented groups like women and people living in rural areas. These EQUAL partnerships have developed support tools for teachers, influenced the mainstream curriculum and had an effect on training. Linked to this approach is the need to integrate entrepreneurship training into all stages of the educational system.

##### **o Mainstreaming entrepreneurship within national curricula and training teachers**

The importance in intervening across the complete life cycle has found broad consensus among EQUAL partners. In Spain, [Valnalón](#)'s Director, José Manuel Pérez, compares it to training for a high risk sport: "To become an entrepreneur is like becoming a sportsman. If you really want to do it, you have to start when you are five years old." However, experience reveals that many teachers are unfamiliar with entrepreneurship as a subject or methods for delivering such an education. They therefore need substantial support if children are to see their entrepreneurial skills nurtured throughout their school years.

In Portugal, [ENE](#) (Emprender na Escola, "Enterprising in School") has elaborated a range of integrated activities which teachers can use to help pupils design a business plan and set up a company, get to know the business and service world in which they live, and identify future business opportunities – all in a fun environment.

It has also focused on training courses for teachers and the production of didactic materials such as a Business Plan Support Guide for pupils. Moreover, to encourage maximum uptake and relevance, its courses on entrepreneurship for secondary school pupils are adapted according to three different categories of pupil. The three different versions focus on the needs of those studying humanities and sciences, those on technical courses and those on education and training courses.

In Wales, [Cyfenter](#) provided the knowledge base for the Welsh Entrepreneurship Action Plan (EAP) which must be considered one of the best examples of an integrated, inclusive regional entrepreneurship strategy in Europe. A key strategic objective of the plan has been to embed entrepreneurship into the National Curriculum and to create an entrepreneurial culture among children and young people.

Through its Dynamo project, the Welsh EAP sets out to change people's outlook and create a culture where enterprise is respected and valued. Dynamo organises teacher training events and produces a resource pack for schools including teacher notes and lesson plans, CD-ROM cards with information on the Welsh economy and a CD ROM interactive game around entrepreneurship. All secondary schools in Wales are now able to access the Dynamo project and its materials.

##### **o Learning by doing: enterprise games and competitions**

Some EQUAL partners have developed particularly imaginative methods for "learning by doing" which have proven effective in capturing the interest and enthusiasm of pupils and developing entrepreneurship skills by giving them real responsibilities and demonstrating the implications of entrepreneurship in real life.

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<sup>7</sup> Implementing the Community Lisbon Programme: fostering entrepreneurial mindsets through education and learning, 2006

This is the case of Valnalón in Asturias, northern Spain. Promoting a culture of entrepreneurship has been particularly relevant in this region which, with the decline of coalmining and steel, lost almost a quarter of its jobs in just two decades. Unemployment among young people is nearly 40%. Its EME (Empresa en Mi Escuela – a company in my school) programme imaginatively turns the entire class into a real co-operative. The children make the rules of the co-operative, design and make the products, and organise the marketing and publicity campaign. In May, they actually assemble in the marketplace of their hometown and sell the products.

In Valnalón's EJE (*Empresa Joven Europea* – European Youth Enterprise) programme, secondary school students from 12-16 years old participate in a similar project – but this time for international trade. They invest their own money and contact other co-operatives in Spain or other countries to which Valnalón has transferred its methodology. The co-operatives trade using new technology and communicating in English. There is even an agreement with the regional bank to support the co-operatives with microcredit.

Also in Spain but in the Basque country, [Garapen](#) has also created support material for teachers and students including a computer game for primary school children, a monopoly-style board game about creating a business and a resource manual for teachers. In total, 5,740 students have benefited.

Many EQUAL business simulation games also take the form of a competition, with prizes being presented to the most notable projects. While the emphasis tends to be on generating enthusiasm and fostering skills, elements of competitiveness have proved successful in motivating pupils to work harder and collaborate more closely within their teams.

- ***Bringing schools closer to business and the “real world”***

Dynamo's strategy in Wales (UK) also involves recruiting role models to tell school children first-hand of their experiences as entrepreneurs and instil an understanding of and enthusiasm towards entrepreneurship. Chosen to represent the diversity in Welsh society, these role models play a key role in raising awareness of entrepreneurship while encouraging self-belief, positive thinking and the ability to spot opportunities and turn them into reality. To date over 300 role models have delivered this message to over 37,000 pupils aged between 9 and 10.

Many of the business simulation techniques mentioned above also have an element of bringing school children into contact with business and organisations relevant to the needs of entrepreneurs – such as banks (Valnalón's EJE programme), business support agencies and business incubators.

ENE's activities in Portugal for example, are specifically designed to encourage pupils to get to know the business and service world in which they live as they plan and set up their business. While working on their business plans, pupils visit real companies as well as support organisations and business incubators before presenting their work in a competition and exhibition of ENE activities.

Such activities promote a realistic sense of the risks that exist and the support available to take on these risks and realise business ideas. In this way they also aim to raise confidence by encouraging an understanding of the environment in which the pupils live and how they can interact with that environment to shape their own lives.

- ***Entrepreneurship education for the community***

The [K'Cidade](#) project in Portugal, promoted by the Aga Khan Foundation, is a long-term pioneer project testing a new methodology for building entrepreneurial capacity to help people take control of their own lives and escape social exclusion.

The long-term approach the project takes to addressing causes and not just symptoms is reflected in its education dimension. The Childhood Association develops entrepreneurial skills by training teachers in more active models of education (EDUCARE) so as to improve the autonomy, creativity and responsibility of children, their families and teachers. Children enjoy

themselves while they are taught to investigate, to mobilise resources and to pursue their own interests.

The Portuguese government would like K'Cidade to expand beyond the Lisbon area from 2009 and the Portuguese Prime Minister, José Sócrates, signed a protocol with the Aga Khan Foundation in December 2005. As a result, the Ministry of Labour and Social Solidarity was able to invite K'Cidade to provide training to social workers from the Lisbon district and to consider expanding its work to other areas of the country.

○ ***“Intra-entrepreneurs”***

A common strand running through this work is the need to go beyond narrow definitions of entrepreneurship as a set of technical skills such as book-keeping and marketing which are only useful to private businesses. Many projects see it as a much broader set of attitudes and competences such as team working, decision making, risk taking, innovating, problem solving and so on which can be applied to all walks of life. They argue that these qualities are essential for entering the knowledge economy and that people that do not go on to become professional business people can apply their entrepreneurial skills as employees within private companies, the public sector, the social economy and the community.

○ ***Ensure effective transfer of best practice***

On top of identifying methods for encouraging entrepreneurship education, a key objective of EQUAL has been to ensure that successes are shared and transferred to other schools, regions and countries.

The EQUAL partnership **RED Accent**, in which **Garapen** acts as the lead partner, has, for example, brought together 23 local development agencies from the three provinces in the Basque Country of Spain, which now benefit from collective learning and shared resources for their work towards supporting business start-ups in each locality. As an old industrial region that has undergone major restructuring, the network has decided to encourage entrepreneurship in the Basque Country from the earliest possible age in schools and training centres. Different agencies spearhead and test specific methodologies which can then be applied to the whole network.

Valnalón has gone even further in actively promoting its methodology. To date it has transferred its entrepreneurship education programme to Mexico, the USA, Canada, the UK, Northern Ireland, Sweden, Norway, Poland, Slovakia and Belarus.

### **2.1.2.3. Recommendations for mainstreaming policies**

From the EQUAL case studies together with discussions from thematic workshops, policy recommendations include:

- Incorporating entrepreneurship education into national and regional curricula at all levels (primary, secondary and university).
- Adapting curricula to introduce creativity, group work, risk taking, broadening the concept of entrepreneurship education.
- Learning by doing – using games and real-life exercises (mini-companies) and making the most of transnationality.
- Increasing the teaching of entrepreneurship within higher education outside economic and business disciplines – especially in scientific and technical faculties.
- Retaining special emphasis on creating enterprises and managing the growth phase in the curricula of business-type studies at universities.
- Adapting career services to focus on business creation as well as employment opportunities.
- Outreach to young people not in education.
- Entrepreneurship education in both formal and informal settings with a special focus on the needs of disadvantaged groups and areas.
- Training and support material for teachers to ensure effective delivery of entrepreneurship education.

- Support for the transfer of existing good practice to other regions.
- Involving entrepreneurs and local companies in the design and running of entrepreneurship courses and activities
- Creating two-way links between schools and business.

The Enterprise and Education and Culture Directorate's General also work on entrepreneurship education. Of particular importance are the following:

\* 2006 Joint Communication on Implementing the Community Lisbon Programme: Fostering entrepreneurial mindsets through education and learning.

\* DG Enterprise, in collaboration with DG EAC, is currently preparing a call for proposals for implementing the Oslo Agenda, to be published Spring 2009.

\* DG Enterprise, together with EAC, is currently setting up high-level meetings on entrepreneurship in education to bring together policy makers from Ministries of Education and Ministries of Economy. They are due to start January 2009.

\* DG Enterprise is also working on a study on entrepreneurship in vocational education (secondary and post-higher education). Results due Summer 2009.

\* DG EAC currently runs forums bringing together universities and businesses. The aim is better co-operation in general between industry and education. Entrepreneurship is one of the topics. Duration: 2008 – 2009

#### **2.1.2.4. Links to EQUAL case studies**

Valnalón (E):

<http://www.valnalon.com/>

Cyfenter (Wale-UK):

<http://www.projectdynamo.com/>

ENE - Emprender na Escola, "Enterprising in School" (Portugal):

<http://www.projecto-ene.com/ene/default.asp>

Red Accent - Garapen (E):

<http://www.garapen.net/euskera/index.asp>

K'cidade (P):

<http://www.kcidade.com/>

#### **2.1.2.5. Other useful links**

2006 Communication from the Commission on Implementing the Community Lisbon Programme: Fostering entrepreneurial mindsets through education and learning, 2006 :

[http://eur-lex.europa.eu/LexUriServ/site/en/com/2006/com2006\\_0033en01.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/com/2006/com2006_0033en01.pdf)

2007 EU Barometer poll:

[http://ec.europa.eu/enterprise/enterprise\\_policy/survey/eurobarometer\\_intro.htm](http://ec.europa.eu/enterprise/enterprise_policy/survey/eurobarometer_intro.htm)

Oslo Agenda October 2007:

[http://ec.europa.eu/enterprise/entrepreneurship/support\\_measures/training\\_education/doc/oslo\\_agenda\\_final.pdf](http://ec.europa.eu/enterprise/entrepreneurship/support_measures/training_education/doc/oslo_agenda_final.pdf)

Implementing the Community Lisbon Programme: fostering entrepreneurial mindsets through education and learning, 2006:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2006:0033:FIN:EN:DOC>

### 2.1.3. Role models and the media

#### 2.1.3.1. *The challenge*

All too often, communications professionals, such as journalists, advertisers, graphic designers, image libraries and programme producers, seek to position themselves in the mainstream by using stereotypical and shorthand images: the suited white male business executive, the full-time housewife with her children, the contented grandparents. This is in stark contrast to images of migrants or asylum-seekers, who are generally associated with negativity or, worse, illegality. If people from all sections of society are to be inspired to go into business, they must feel that the business community is for them – and yet often business events are designed with just one type of businessperson in mind.

#### 2.1.3.2. *How EQUAL has approached the issue – examples*

EQUAL partnerships have tested effective ways to promote positive role models of entrepreneurship, including:

- disseminating promotional leaflets, posters and organising publicity campaigns showing people who are confident, energetic and fashionable
- organising contests and competitions for entrepreneurship among particular groups to reinforce the idea that the businesses are far from marginal
- pooling resources with various actors to make a wider impact and achieve larger scale initiatives, such as TV series

Of particular interest are the following types of activity:

- dedicated days and weeks
- ambassadors
- awards
- professional marketing campaigns
- media production

##### ○ *Dedicated days and weeks*

An effective way used by some governments during EQUAL to raise the visibility of inclusive entrepreneurship is to concentrate a large number of activities into a short period, and use the critical mass to create a sense of a special event. This is the tactic behind the UK's [Social Enterprise Day](#), which occurs in mid-November each year. It forms part of Enterprise Week, and from 2008 coincides with the first Global Enterprise Week, which happens from 17-23 November and involves more than 60 countries. This is fully in tune with the inclusive entrepreneurship agenda, and describes itself as “a worldwide celebration of enterprise, which aims to unleash young people’s enterprising ideas and address some of society’s biggest issues, from poverty reduction through to climate change”. The linked [Make Your Mark](#) campaign website uses the power of example by featuring a number of ‘inspiring stories’.

##### ○ *Ambassadors*

Britain and Belgium are two countries that have raised the profile of social enterprise by appointing official social enterprise ambassadors. In Belgium, the Secretary of State for Sustainable Development and Social Economy sponsored a Social Economy Week at federal level, which in 2007 took place from 9-16 March with the slogan *Everybody Wins*. Events included the nomination of five [Ambassadors of the Social Economy](#), the choice of a Social Economy Manager 2007, and a Social Economy Festival (9 March). Britain's [Social Enterprise Ambassadors](#) scheme makes full use of new media as well as celebrity endorsement. The British Prime Minister, Gordon Brown, launched the programme in July 2007. The first 35 ambassadors have been chosen for their passion and charisma, and for the powerful stories they have to tell about how social enterprise can change people’s lives. They are appointed for a three-year period, during which they will meet key audiences, appear at events, give interviews, write blogs and record podcasts.

## ○ **Awards**

Britain's [Enterprising Solutions Awards](#), which started in 1999, have become a glittering annual event. The 2007 competition was launched in celebrity chef Jamie Oliver's *Fifteen* restaurant and the award ceremony was held in the Victoria and Albert Museum, and hosted by Faisal Islam, economics correspondent for Channel 4 News. They reward "the most imaginative, entrepreneurial, and sustainable businesses that are passionate about social change" and in 2008 three categories were open: Best Social Enterprise, Best New Social Enterprise and Social Enterprise in Schools.

The European Commission also directly promotes role models of inclusive entrepreneurship. The enterprise DG sponsors the [European Enterprise Awards](#), which were initiated in 2005 to reward outstanding initiatives that support entrepreneurship at the regional level. It has attracted a lot of interest, with over 300 entries in 2007, and inclusive and social entrepreneurship initiatives score well. In 2007 *Ethnic coach for ethnic entrepreneurs*, of Vejle in Denmark, received the special award as an entrepreneurial trailblazer. This category recognises "actions that promote an entrepreneurial culture and mindset and raise awareness about entrepreneurship in society". *Eigen Werk*, which encourages entrepreneurship in over-45s in Amsterdam, was runner-up in the "investment in people" category.

The tool is also used by global organisations. In April 2007 [NESsT](#), backed by the Citi Foundation, launched national Social Enterprise Competitions in the Czech Republic, Hungary and Slovakia (and operates a similar scheme in South America). It provides capital and business development support to enable nonprofits to increase their self-sustainability by starting social enterprises. Awards go to the strongest social enterprise feasibility studies from each country. As well as giving the winners a \$10,000 boost, the awards raise public awareness of the possibilities of social enterprise.

The Gepetto childcare project in France won the Schwab Foundation first prize as 'social entrepreneur of 2007 in France', which itself became a promotional [news article](#) published on the Commission's EQUAL website in February 2008.

The Duurzam van Start ('Sustainable from the Start') project in Tilburg, Netherlands, used multiple channels to promote entrepreneurship among unemployed over-45s. It formed an innovative partnership with organisations in the social-economic field to support a business centre for a dozen women from different cultures, coached them and provided after-care. It built a [website](#), gained coverage in regional and national newspapers and magazines, gave lectures to other municipalities, and organised a "meet & greet" seminar for all the starting entrepreneurs, with the cooperation and support of the Dutch Entrepreneur of the Year 2005.

[K'cidade](#), in Lisbon, presents positive entrepreneurial role models by organising contests and competitions for entrepreneurship among particular groups such as young people.

## ○ **Professional marketing campaigns**

Professional marketing campaigns are not out of place in changing the behaviour of labour market actors. [Verbund Enterprise](#), based in Berlin (Germany), started its project by carrying out a series of campaigns in local schools and through the media to change young people's image of entrepreneurship. It used a series of competitions, a travelling photo exhibition, a poster campaign and adverts in the underground and in cinemas to put over messages about 'changing perspectives', 'the courage to leave the nest' and 'experience teaches you how to fly'. It was careful to present images of people who are confident, energetic and fashionable. Another action was to set up four outreach centres for young people in urban neighbourhoods of around 300,000 people recognised as being deprived by Berlin's Soziale Stadt ('Social City') urban redevelopment programme. Here the central issue was not just getting physically closer to young people but creating a style that positively attracts them. The project also used its partnership links to develop good referral networks from both social services and youth groups.

[Pirkanmaan Syke](#), in the industrial region around of Tampere in southwest Finland, aimed to tackle structural unemployment and meet pressing labour shortages, particularly in high-tech sectors, by getting more disabled and long-term unemployed people into jobs. It launched a savvy marketing campaign, targeted not at potential employees, but at the firms who could



benefit from employing them. Armed with the weapon of the state's wage subsidy for employing disabled and long-term unemployed people, the project obtained a list of 10,000 companies from the regional federation of enterprises and conducted a campaign of telephone interviews. These functioned as both a selling tool and a research tool for social enterprise. The project asked whether the companies were hiring staff, and whether they had any objection to hiring disabled people. Only a very small proportion said no. The survey resulted in 700 contacts who were interested in pursuing the idea. This in turn led to the creation of 30 social enterprises, half the national total at that time, each of which by definition employed at least 30% of disabled or previously long-term unemployed people.

○ **Media production**

[Mira Media](#) in the Netherlands took matters into its own hands by setting up community radio stations and producing multicultural television programmes for broadcast on the national networks. With EQUAL funding, the foundation also trains ethnic minority media professionals and publishes a quarterly magazine in Dutch, 2,200 copies of which are distributed to ethnic minority programme makers, journalists and other media workers.

**2.1.3.3. Recommendations for mainstreaming policies**

EQUAL's experience shows that in the field of promoting inclusive entrepreneurship, it is relatively easy to make a media splash. The field is rich in engaging human interest stories which the media – newspapers, radio and television, local, national and global – will pick up if they are presented to them. The practice of inclusive entrepreneurship is a lot more interesting to the public than the intellectual policy debate might suggest.

A key recommendation would therefore be that public authorities should not flinch from adopting professional communications techniques in order to influence the behaviour of the public. The examples given – of dedicated 'enterprise days' and 'enterprise weeks', of ambassadors with stories to tell, of awards, marketing campaigns and media production, show that a little professionalism in communication can go a long way.

**2.1.3.4. Links to EQUAL case studies**

Etnische Ondernemers in the Media (NL):  
<http://www.miramedia.nl>

Duurzaam van start (NL):  
<http://www.duurzaamvanstart.nl/>

K'CIDADE (P):  
<http://www.kcidade.com/>

Pirkanmaan Syke (FI):  
<http://www.ensimetri.fi/palvelut/syke/>

Verbund Enterprise (D):  
<http://www.enterprise-netz.de/>

**2.1.4. Community capacity building**

**2.1.4.1. The challenge**

EQUAL projects show that entrepreneurial ability does not depend on educational qualifications, social status or race. Even the most deprived urban and rural communities can become "business incubators" – but this means designing long-term integrated itineraries that build individual and collective empowerment and link broader social issues to economic activity. The key is to start with small activities that spring directly from people's concerns, and use these to create positive examples and role models that are the seed for entrepreneurship. Building trust

through family and social networks is vital – as is the use of information and communications technology.

Secondly, public authorities can do a lot to strengthen the physical infrastructure for entrepreneurial activity. They can assist the growth of stable and responsible community organisations by transferring to them, under the appropriate legal and financial conditions, premises that are surplus to their own requirement. Owning physical property is important for stability especially financially, in balance sheet terms, because it can be used as security for a loan that may be necessary to provide liquid working capital. However it also leads to ‘ownership’ in the spiritual sense – it is a symbol that the community is in charge of its own destiny.

#### **2.1.4.2. How EQUAL has approached the issue – examples**

The approaches described here are:

- Entrepreneurship networking
- Systematic staged outreach
- Participatory diagnosis
- Community innovation centres
- Asset transfer
- Festivals
- Intergenerational linkages
- Virtual communities

##### ○ **Entrepreneurship networking**

In France, Réseau+ proposes an economic model to help business creation in the caring field (elderly care, childcare). After an initial contact with a network manager, the parties sign a memorandum of understanding, which specifies the field of activity and the geographical coverage (minimum 60 000 inhabitants). This preliminary phase allows the future manager to examine the project’s feasibility, with the network’s support, for three months. A partnership contract is then signed, setting out four milestones:

- the business plan, in which the future manager gets business advice from a network consultant
- a legal study on the type of statutes and a survey of potential contractual agreements with relevant social services
- a financial survey of potential grants, loans or facilities for setting up the business with the network’s financial partners (banks)
- training adapted to the context (between 1 and 4 weeks)

Once the business is set up, the new manager signs a licence agreement under which the network monitors and supports his or her marketing, planning, etc. As long as the licence terms are respected, the manager develops the business according to his or her own aims in the territory agreed. One of the most successful developments of this entrepreneurship model is AD SENIORS (*Aide à Domicile Seniors* – Seniors Home Care), which is expanding in many small and medium-sized towns where the public sector cannot meet the growing demand from the ‘silver economy’. Interestingly, a majority of these new care managers are themselves retired. They find in this model a way to turn their free time to a profit and limit the risk to their personal money (the minimum investment is €10,000) while improving the quality of life of their community. They also develop local employment as they improve skills in the nursing and healthcare sectors.

##### ○ **Systematic staged outreach**

The [Opportunity to be an Entrepreneur in the North of Cordoba](#) EQUAL partnership contradicted all the stereotypes by creating 67 functioning firms out of what seems like nothing – in under three years. It did this by drawing in all local actors into a concerted campaign to “blanket” the entire community and build a more entrepreneurial culture. It followed this through with a series of innovative tools for making both finance and advice more accessible to self-employed people. Its methods have had an impact on regional employment legislation and deserve to be shared among other European projects, especially those working in rural areas. The driving force behind the partnership is the commitment and direct involvement of two federations of village town halls



plus a total 32 other local organisations including youth and women's organisations, associations of small firms, trade unions and local action groups.

Working in a rural area of Andalusia, the project addressed the issue of motivating through a four-stage outreach programme. It knew that a passive office-based approach would fail to reach people from excluded communities and groups. It saw that while there was a rather weak entrepreneurial culture, there was also quite a dense and active network of community organisations and front-line community workers. So it mobilised this grass-roots network to become the "funnel" for engaging with potential entrepreneurs at the earliest stage:

1. **Research:** The first step was to create a comprehensive database of all the local organisations and agencies that had any contact with the unemployed. They also analysed where the unemployed were to be found and what their profiles were.
2. **Mobilise the intermediaries:** They then carried out a massive campaign of 213 informal meetings, organised to suit the timetables of the key actors. They inform them of what the project could do and established a permanent channel for referring unemployed people. Altogether the project mobilised a major network of 275 local actors in this way.
3. **Mobilise the beneficiaries:** each local contact person organised a small meeting for 10–15 unemployed people with whom they had regular contact and trust. One of the EQUAL staff animated these meetings using a specially designed presentation that looked at the main barriers and risks of setting up a business from the point of view of an unemployed person and then provided a range of possible solutions. Altogether the EQUAL team organised 70 such awareness days with 893 potential entrepreneurs.
4. Channel the potential entrepreneurs into an **integrated support itinerary**.

#### ○ ***Participatory diagnosis***

In the urban core of Lisbon, the [K'cidade](#) (pronounced '*capacidade*') project, promoted by the Aga Khan Foundation and supported by EQUAL, is tackling the root causes, rather than just the symptoms, of social exclusion and low entrepreneurial spirit – by first mobilising communities and raising levels of confidence in individuals and among the community. K'cidade gained buy-in from the local community by organising a process of participatory diagnosis involving 100 organisations, to identify key issues and perspectives. The team subsequently mobilised nearly 70 of these organisations to devise, plan and implement activities for the communities in an integrated and mutually reinforcing manner. Local beneficiaries implemented six projects, reaching about 600 people, which provide a good platform from which to mobilise other local people. More than 6,000 residents have been mobilised, with 28% of them being actively involved.

#### ○ ***Community innovation centres***

[K'cidade](#) then established three easily accessible Community Innovation Centres in Alta de Lisboa, Mira Sintra and Ameixoeira. These are designed to be "creative and innovative spaces, planned and managed in the future by the residents". These serve as the base for Community Innovation Projects (CIPs) proposed and led by residents. K'cidade's leaflets and website ask residents in the target communities to approach them with ideas. Once interest groups start to emerge, they are helped to plan and implement their projects. The Foundation's experience in implementing this style of bottom-up community development plan in rural areas of developing countries has taught it not to provide solutions – rather the participants are encouraged to find their own solutions. External resources are thus used to reinforce local capacity and not to substitute for it.

A crucial strength of the project was that it involved a great diversity of partners, both public and private. It combines top-down and bottom-up approaches and stimulates a common learning process. Eighty-one workers from six organisations have been involved in capacity building processes leading to the strengthening of three local partnership networks and 218 local development agents. Activities such as joint training sessions and workshops for local development agents, on-the-job consultancy for local organisations and exposure visits have raised the participating agencies' awareness of the issues at stake and the project's approach.

○ **Asset transfer**

Asset transfer was one of the avenues of work explored by the C3 – [Competitive, Confident, Credible](#) EQUAL partnership in Bristol, UK.

In 2005, Bristol City Council wished to improve the use of its enormous stock of property and land, which amounted to one-third of the land within the city boundary. It commissioned a report on its asset transfer policy. The consultants found that in the past a number of pieces of property had been transferred to social economy organisations. Altogether, about 100 properties with an annual rental value of £0.5m (€0.7m) are currently being used under concessionary leases – that is effectively for free. For instance:

- In Southmead, a piece of land was sold for £1.5m (€2.2m) and the proceeds given to the Southmead Development Trust. This enabled it to be financially independent and to raise match funding from external sources;
- In Southville, the council sold 60% of a site to a housing association, and used the money to build a community centre on the remaining 40%.

However the report also found that the transfers had taken place on a case-by-case basis, and thus many potential benefits were being missed. For instance the transfer of an asset can be compensated by the provision of a service by the receiving organisation. The report therefore recommended a move to a more systematic way of assessing the added value of such capacity-building measures. By providing a stable financial base, owning a building is an important means of helping a community organisation to escape dependency on grant aid and become self-sustaining. It can be used as security for loans which can provide the liquid working capital that businesses require. A community-owned asset base can therefore be the foundation stone on which inclusive and socially entrepreneurial activity can be built.

○ **Festivals**

In a project supported by the UK's Phoenix Fund, [Bristol East Side Traders](#) (BEST) used people's love of a good day out to help foster and encourage emerging businesses in some of Bristol's poorest areas. By organising street festivals in St Marks Road and St Paul's Market, two of the city's busiest inner-city trading areas, the group helped create a sense of pride in the local community. The festivals enabled people to run stalls and tryout their business ideas, and gave local traders the opportunity to get their products to customers. They also made closer links with other businesses operating in the two streets.

○ **Intergenerational linkages**

One idea that has been tested is bringing different generations together. The [Maillâges](#) ('Link-ages') project tested the idea of bringing an older person together with a younger one to create a business. Young and older entrepreneurs who may have a similar or related idea and are looking for business support are put in contact to look for complementarities and to assess the benefits of setting up a business together. This is being tested in Rhône-Alpes.

The idea is to organise training days on business creation issues where the entrepreneurs get together. "Intergenerational link-ages" can help them to bring their projects together and develop a stronger company than either individual would be able to develop on their own. Often, young people have theoretical education, but older workers at a later stage of their professional life have practical experience that complements it. The older person will have more knowledge about how a business operates in the real world. However it could well be that the young entrepreneur has the skills to carry out a market study, which the older worker does not have. "Intergenerational link-ages" aims to create 150 entrepreneur couples.

○ **Virtual communities**

With the advent of 'Web 2.0', the internet is becoming a ubiquitous tool for reaching out and building community capacity. The new generation of collaborative software, combined with fast, cheap 'always on' broadband connections, allow people to communicate in groups in an increasingly rapid and intuitive way. Several of the many 'social networking' websites number users in the hundreds of millions: Facebook had 132 million unique visitors in June 2008, while Wikipedia has 8 million registered editors (plus an unknown number of anonymous editors).

Many EQUAL partnerships made good use of the internet. For example the '[Alternative Entrepreneurship](#)' EQUAL project set out to promote entrepreneurship among women, and used

the web to develop innovative solutions and joint systems. The project adopted participatory techniques to foster a creative atmosphere and a shared approach to problem solving. As well as regular face-to-face meetings, the project used a web portal to share information, knowledge, skills and experiences, and to publish the project's results.

Several projects used Wikipedia as a dissemination medium, by creating articles relating to their projects or activities. Some projects went further and created their own wikis as online collaborative workspaces under their own control. The chief example is [Wikipreneurship](#) which was launched as a support for COPIE, the Community of Practice on Inclusive Entrepreneurship. In its first nine months it has grown to host over 700 articles relating to inclusive entrepreneurship.

#### **2.1.4.3. Recommendations for mainstreaming policies**

Quite apart from barriers to starting a business, members of disadvantaged groups also have to overcome barriers to participation in society generally. Outreach into minority communities therefore cannot be conceived of as a tool to rapidly generate new business start-ups. Nor is it particularly cost-effective in these simple terms. It should be carried out as part of a broad strategy for social inclusion.

In the case of elderly care, one of the major challenges is to improve coherence at local level so that high-quality skills and services are guaranteed to the whole community. In many small towns and suburbs, where the sense of community life and generational solidarity tends to vanish, planning care is becoming as important as planning transport or water supply. There is a tentative trend among local authorities to implement such planning schemes in the field of care and social services, which should be pursued and expanded.

#### **2.1.4.4. Links to EQUAL case studies**

RESEAU+ (F):

[http://forumprojets.racine.fr/virtual/28/Documents/pdf/Reseau\\_plus.pdf](http://forumprojets.racine.fr/virtual/28/Documents/pdf/Reseau_plus.pdf)

K'cidade (P):

<http://www.kcidade.com/>

La oportunidad de emprender en el norte de Córdoba (E):

[http://www.juntadeandalucia.es/empleo/equal/boletinequal/www/articulo.asp?revi\\_id=10&arti\\_id=124](http://www.juntadeandalucia.es/empleo/equal/boletinequal/www/articulo.asp?revi_id=10&arti_id=124)

Maillâges (F):

<http://www.maillages.fr/>

3C -Competitive, Confident, Credible (UK):

<http://www.c3partnership.org/>

Alternative entrepreneurship:

<http://www.altent.eu>

[http://www.intesasanpaoloformazione.it/pagine/pubblicazioni/Pubblicazione\\_trasnazionale.pdf](http://www.intesasanpaoloformazione.it/pagine/pubblicazioni/Pubblicazione_trasnazionale.pdf)

#### **2.1.4.5. Other useful links**

AD SENIORS:

<http://www.adseniors.com/>

Bristol East Side Traders (BEST):

<http://www.bristoleastsidetradere.co.uk/>

Wikipreneurship:

<http://www.wikipreneurship.eu>

## **2.2. INTEGRATED BUSINESS SUPPORT FOR ALL**

EQUAL's work on business support contributes to what is already a major policy priority of the European Union. In 2000-2006, business advisory services and shared business services accounted for approximately one-third of the very large sums of money spent on supporting SMEs by the Structural Funds (split fairly evenly between pure advice and support involving some kind of business premises). Another third of the total was spent on grant aid, but this often forms a package with business advisory services. The advisory services often play a key role in the access to and allocation of the grant aid. This support continues, and in the period 2007-2013, business support services are specifically mentioned in the first two objectives of the ERDF regulations, and support for entrepreneurship is raised under two of the three priorities of the ESF regulations.

Since the late nineties this has led to a whole series of initiatives to document good practice in business services, to increase the synergy between the large number of existing projects and to improve quality, relevance and take-up. Improving the coherence and quality of the business support system is mentioned as a priority in the European Charter for Small Enterprises and its successive national reports. The *Entrepreneurship Action Plan*, which was implemented between 2004 and 2007 by the Enterprise DG, addressed the issue of inclusive entrepreneurship and held seminars on measures to encourage women and by ethnic minorities to go into business.

EQUAL's work concerning business support can be broken down into the following six areas:

- Strategies for getting out into hard-to-reach communities
- Hybrid solutions for business support (self-employment co-operatives)
- Incubators and workspaces
- Mentors and coaches
- Quality standards for advisers and programmes
- Training

### **2.2.1. Strategies for getting out into hard-to-reach communities**

#### **2.2.1.1. The challenge**

Small businesses and governments in many European countries complain that sources of business support frequently do not respond to the real needs of actual and potential business people, particularly those who face disadvantages in the labour market.

Business support services are frequently desk and office bound. Only the clients that are most confident and aware of what is on offer are reached as the service is largely reactive. Disadvantaged groups and areas tend to rely on a circuit made up of different public and semi-public agencies working at the boundaries between social security, employment and enterprise policy. Here, one often finds inappropriate and overlapping sources of business support for small enterprises. They rarely form a genuine system capable of effectively accompanying disadvantaged groups along an itinerary towards independent income generating activities. Furthermore, business support staff is seldom trained in how to help disadvantaged groups, while agencies specialised in dealing with these groups may lack business skills and experience.

These problems contribute to lower rates of self-employment and business creation among disadvantaged groups and areas, lower rates of employment and loss of output.

To reach disadvantaged groups such as the long term unemployed or migrants, and to support groups that are under-represented in enterprise such as women, more proactive techniques are needed, otherwise enterprise remains the preserve of the advantaged and those born into it. Without good outreach, people are dependent on informal sources of advice usually developed through the social capital of family and friends. However, these can be a source of misinformation and lead those groups, especially when relatively recently settled, to trade illegally and be at risk. Good quality support and advice in the early stages can mitigate this risk.

EQUAL provides a strong case for giving specialised support to key target groups, notably women, young people, ethnic minorities, people with disabilities, people over 50, social economy organisations and so on. In Germany, for example, training designed specifically for women led to survival rates of around 80% compared to an average of 30% on normal courses. In Wales a series of specialist pre-start agencies have contributed to an increase of 20% in yearly start-up rates. However, it is clear that there is also a common core of skills and competences that are necessary for anyone to set up any kind of business. For example, according to DG Enterprise, 80% of the problems faced by ethnic minorities in setting up a business are common to all entrepreneurs. Similarly, social economy organisations need sound financial and business management, in the same way as ordinary SMEs.

In order to balance the advantages of specialist support (for example, greater understanding and affinity with the client group) with the additional costs and the risk of marginalising people even more, specialist organisations (often NGOs) within EQUAL have focused on the phases before the launch of the business. This allows them to concentrate on issues specific to certain disadvantaged groups such as language, confidence and trust, caring responsibilities and work-life balance, and collective methods of working.

Regarding social economy businesses, specific support is needed throughout all phases of business development, not just pre-start. It includes cooperative management structures, dealing with voluntary workers, disabled workers and other disadvantaged personnel, managing public-private funding mixes, public procurement, social auditing, social franchising and so on.

#### **2.2.1.2.      *How EQUAL has approached the issue – examples***

EQUAL has successfully tested a variety of outreach strategies for engaging business support with key target groups such as women, ethnic minorities, refugees and people in disadvantaged neighbourhoods of cities. Each of these approaches has different advantages and disadvantages.

##### **○            *Setting up offices in disadvantaged areas***

This has been the approach adopted by Enterprise Agencies in the UK and other Member States. They are often described as “one stop shops”. [Verbund Enterprise](#)’s work under EQUAL in Berlin has led to the opening of several one stop shops in disadvantaged areas of cities in Germany. Their biggest challenge was to support entrepreneurship among the young unemployed, and the project demonstrated a good social return on investment with costs of about €6,000 – much less than the amount needed to maintain a young person on welfare benefits.

##### **○            *Going to where the client is based***

[EVU](#) in Copenhagen spent the first six months of its activity in EQUAL getting out to its client base in ethnic minority dominated areas of the city. It built trust and rapport for business support services. The approach developed by EVU has now been successfully mainstreamed and the Copenhagen Business Centre started in January 2008. Seven business advisers have been employed. The number is to increase to a total of 25 employees by 2009. The outreach advisers have been integrated into the new mainstream organisation. One example of their approach was to target a particular street of shops with outreach. The goal here is to create local attention about the existence of the advisory service where there are many minority-owned businesses.

##### **○            *Partnering organisations that specialise in working with hard-to-reach communities***

Many organisations are already successfully plugged in to specific local communities. The EQUAL [Cyfenter](#) project in Wales used this model to reach women and ethnic minorities through a women’s support organisation called Chrawae Teg. It is perhaps the most clearly braided approach in which specialist business support is linked explicitly to a mainstream backbone service – in this case Business Eye. Similarly the Bridge project in Hungary worked with a local community council to promote skills and enterprise among the local Roma community.



○ ***Embedding advisers in community based organisations***

This is the radical approach used by the [SIED](#) (Supporting Inclusion in Enterprise Development) EQUAL project in London. It identifies a member of a community-based refugee or ethnic minority association and trains them as an accredited business adviser. It has trained 45 advisers and recently saw its 1,300th client. In order to continue its work after the end of EQUAL, a new grouping named the Association of Community Based Business Advisers (ACBBA) has been established, to support and train advisers based in the community. ACBBA is already active in five boroughs of London, both north and south of the river. It is in expansion mode and is looking to win contracts elsewhere.

○ ***Piggybacking on community based organisations***

Many successful models use existing community capacity to reach out. An example is 'finding women where women meet' by going to day care centres, health facilities and cafés. Pastors in African Caribbean Baptist churches are also a vector to reach the congregations as ABi Associates' Faith in Business project did in northwest London.

○ ***Operating from public and community spaces***

Although these approaches are very different, they share some common aspects. Whereas most mainstream systems can appear bureaucratic, and often require extensive form-filling or 'diagnosis', these approaches treat clients on their own terms with a minimum of fuss.

[Bizfizz](#), a community-based coaching approach developed in the UK and operating in 21 localities, suggests that its coaches should base themselves in community centres and cafés. The coaches use free publicity in local papers and word-of-mouth to recruit new clients.

[Transformando](#), operating in Madrid with migrant communities, starts up conversations on the street with potential clients who would not be prepared to come into a formal office. It avoids asking for identity or nationality papers which can cause resentment among long established migrants and suspicion among newcomers. The attitude towards client recruitment is respectful and proactive. Many approaches rely on word-of-mouth to spread the message and to recruit new clients.

Often these approaches are described as 'holistic', meaning that other factors besides business issues need to be taken into account when providing support. These factors can range from housing to childcare. Many successful approaches recognise that they cannot provide expert support in all these areas but create a virtual 'ring' of advisers who can be called in as needed.

Working with people who are excluded requires that a trust relationship is built. This calls upon sensitive inter-cultural and inter-gender behaviour and empathy with the situation that clients find themselves in.

### **2.2.1.3. Recommendations for mainstreaming policies**

Business support services are too often reactive and demand led. New proactive approaches developed through EQUAL demonstrate that business support services can reach clients that face difficulties in the labour market.

Policy makers should be aware that engaging with different target groups may require a range of different approaches. EQUAL has demonstrated that many groups can be reached by specific approaches:

- Be proactive to reach specific groups and to go to the places where they meet;
- Look for innovative approaches to reaching particular groups;
- Offer non-business support in conjunction with business advice;
- Link outreach services in to mainstream organisations in a 'braided' approach.

#### **2.2.1.4. Links to EQUAL case studies**

Verbund Enterprise (D):

[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-verbund-enterprise\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-verbund-enterprise_en.cfm)

EVU (DK):

<https://webgate.ec.europa.eu/equal/jsp/dpComplete.jsp?cip=DK&national=42>

Cyfenter (Wales – UK):

[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-cyfenter\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-cyfenter_en.cfm)

Reflex/SIED:

[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-reflex\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-reflex_en.cfm)

#### **2.2.1.5. Other useful links**

Enterprise agencies (UK):

<http://www.nfea.com/>

ABi Associates' Faith in Business (UK):

<http://www.abi.co.uk/concept-development.html>

Bizfizz (UK):

<http://www.bizfizz.org.uk/>

Transformando (E):

<http://www.transformando.org/>

### **2.2.2. Hybrid solutions for business support (self-employment co-operatives)**

#### **2.2.2.1. The challenge**

Recent approaches to incubation have started to apply innovative techniques to supporting enterprise in disadvantaged areas, self employment and social enterprise. Incubation can provide a supportive environment in which enterprise flourishes.

Traditional methods of business support including business incubation often fail to reach members of key target groups that either face disadvantage or are under represented in enterprise. This can lead to low activity rates and social exclusion within these communities. Many potential entrepreneurs find that some of the administration involved in setting up a business is too daunting. They want to start trading in a more controlled environment where they can focus on key aspects of their business such as production and marketing and leave finance to someone else.

#### **2.2.2.2. EQUAL solutions**

EQUAL has tested a range of approaches to supporting early stage businesses. One long-standing approach in high-tech business has been business incubation. Business Incubation used to be defined as workspace combined with support:

*“A business incubator is usually a property with small workspace units that provides an instructive and supportive environment to entrepreneurs at start-up and during the early stages of the business.” [UK Business Incubation]*

New approaches recognise that, although all enterprises need to operate from somewhere, it is the other aspects of incubation that can be more important. Incubators provide three main ingredients for growing successful businesses:

- an entrepreneurial and learning environment
- ready access to mentors and investors

- visibility in the marketplace

Increasingly policy-makers are looking to incubation as a technique for supporting particular groups of entrepreneurs that they wish to promote. There is an emerging shift from physical incubation focused on workspace to incubation as a series of activities. The emergence of virtual, remote and flexible working supports this trend.

#### ○ ***Business and employment co-operatives***

The [Egenanställning](#) (Self-Employment) EQUAL project in Uppsala launched its first business and employment co-operative (BEC) in Sweden three years ago, and there are now 10, spread from the north to the south of the country. They have proved a very effective route to integration for immigrants and ex-offenders. In certain cases offenders may pay back their debt to society from their business income. They see their role as simplifying self-employment by providing a range of services that enable the entrepreneur to concentrate on selling to their market. The network gives them a way to set common standards – they use a standard contract of employment – and generate trust in their endeavour. The Swedish approach offers a number of key services:

- a legal platform for the business
- liability insurance
- administration and book-keeping services (such as dealing with invoicing, payroll, VAT, taxes and various kinds of fees)
- an advantageous network
- training and supervision in the enterprise
- the chance to try out business ideas
- the chance to try and start running a business at one's own pace, or even part-time.

The oldest BEC in Sweden has been going for seven years. [BolagsBolaget](#) is a social enterprise whose name literally means 'BusinessBusiness'. It has overcome the problem that there was no half-way house between employment and self-employment in Sweden by offering an administrative platform for people who want to run a business, without starting a formal company of their own. Instead they become employees of BolagsBolaget, but operate separate businesses under its umbrella. User-employees effectively rent their employer, and can cancel the arrangement at any time. BolagsBolaget helps to reduce the financial risk facing people starting a new business, and may increase their chances of success by handling administrative and financial matters on their behalf. Such an approach can grow rapidly, and be sustainable. By the end of 2007 there were 250 enterprise employees trading under the BolagsBolaget umbrella. Each company pays 15% of its invoiced revenues as an overhead to BB. They receive the remaining 85% as salary when their client pays the bill. This means that BB has no cash flow problems.

In France, BECs date from 1996, and now number 70, operating in over 100 locations. They have even crossed the border into Belgium. By 2005 the principal federation, Coopérer pour Entreprendre, which was supported by EQUAL, represented some 4,000 people – 2,618 supported entrepreneurs plus 1,138 salaried entrepreneurs (including 60 member entrepreneurs), with a combined annual turnover of €16.5 million. Two-thirds of entrepreneurs start off as unemployed, two-thirds are aged between 30 and 50 and 53% are women.

The largest BEC is Paris-based [Coopaname](#), which was set up in 2004 and looks after 300 entrepreneurs with a collective turnover of €1.6m. The example shows how BECs can spin off new branches which stay under the same umbrella. Its headquarters are at the Paris-Est CAE, but it also operates four other branches in different parts of the Ile de France: Paris-Sud, Nanterre/Hauts-de-Seine, Plaine Commune/Seine Saint-Denis and Val-de-Marne. It operates an incubator for collective projects, Estère, and is closely linked with two sector-specific CAEs: Coopératifs! in personal services and Alter-Bâtir in construction. It is also closely linked to Vecteur Activités in Grenoble.

BECs offer a potential entrepreneur the chance to create their business within the sheltered environment of a larger social enterprise. In France they have the advantage that they can start out and keep their unemployed status until they have completed a test trading period and their business is ready for launch. In this phase any revenues to the business can be spent on projects for the business – for example marketing. In the second phase the entrepreneur becomes a



salaried employee of the BEC which in return receives 10% of sales revenues. In this phase the 'salaried entrepreneur' benefits from training and administrative support. Once established the entrepreneur can either spin out or become a full voting member of the BEC and continue to pay a 10% administration charge.

There is another function that some BECs play. In some industries, regulations make it hard for individuals to trade on their own account. That's why a growing number of BECs in France specialise in one sector of activity, such as care (where recognition entitles an enterprise to charge a lower rate of VAT), construction (where insurance is obligatory), personal services, or culture and art.

#### ○ ***From a desk in the bedroom to hot-desking at the Hub***

Until recently there had never been a social enterprise incubator. The [Hub has](#) changed all that. The Hub's business is social innovation. Its core product is flexible membership of inspirational and highly resourced habitats in the world's major cities for social innovators to work, meet, learn, connect and realise progressive ideas. The Hub is a physical workspace on the fifth floor of a crumbling former industrial building in Islington North London. It runs as a social enterprise and its business model is simple. Flexible desk space is sold again and again and again. The 140 members share about 40 workstations. Each person is on their own use programme, and a rent of £3,000 (€3,800) per year entitles you to about one day a week of being there. Some tenants pay full-time and a few of the originals have a regular desk. Whatever your contract, you don't have to check in or check out. It works on trust.

Each workstation is equipped with little more than a chair, recycled desk surface, electricity and *wifi* (wireless internet) access. Phones are available for rent but in this age of the mobile and Skype they are almost redundant. Apart from that there is a kettle, a kitchen and rentable meeting rooms. Heating is from a pellet-burning stove.

The Hub has succeeded in creating a thriving work community of people who might otherwise be trapped in their bedrooms sweating over their idea. Businesses range from the hydrogen car to the NAG – a social enterprise that nags you to use less carbon every month.

Apart from the revenue base of the Hub's business model, its success derives from active **animation**. Each day a 'host' greets newcomers and regulars and a series of events are held from lunchtime seminars to picnics at weekends. Somehow the hub has succeeded in organising the informal so that emerging entrepreneurs can gain support from their peers. The Hub has succeeded in building a community of micro-enterprises with a social mission. The funky aspects all help – one meeting room is kitted out with a library and mattresses, every day you can bring a piece of fruit and swap it – is complemented by the amazing conversations that users have with each other. Of course you can meet fellow hubbers live or online. As the network grows you will be able to meet those starting up in other world cities as well as at the next desk.

Hubs are spreading. Already there are working hubs in Bristol, Johannesburg, Berlin, Cairo, Sao Paulo and Rotterdam. Hubs are being started in Amsterdam, Brussels, Halifax, Madrid, Mumbai and Tel Aviv/Jaffa. Up to 50 hub proposals are being considered and the concept is also being copied by imitators. A new London branch opens in early 2008 near to the Eurostar terminal at St Pancras.

The next generation of incubators is likely to take the Hub concept further and be heavily reliant on internet social networking tools as a means of providing peer support to emergent entrepreneurs.

#### **2.2.2.3. *Recommendations for mainstreaming policies***

Humans are innovative as well as social animals, to paraphrase Aristotle. They innovate best when put in a stimulating environment with other innovators, off whom they can bounce their ideas. Till recently, support for such clustering activities has been focused primarily on high-tech firms with a supposedly high growth potential, and the result has been a generation of science parks. It is now evident that economic competitiveness and growth stems just as much from social as technological innovation, and that the creative industries in particular are of increasing importance.

Business and employment co-operatives, hubs and their ilk can provide a graduated route into self-employment – individual or collective – for the sort of people in society who do not fit easily into the conventional world of work. In particular, by taking care of the administrative side of being in business, they suit the segment of ‘cultural creatives’ – people who want to create their own activity but not necessarily their own enterprise. These are people who don’t want to have to give up everything and work 24 hours a day, but want to share ideas and do something together as a group. According to one American study, cultural creatives make up around 20% of the population. This makes these hybrid incubators the forerunners of a new social movement that is not yet conscious of its importance as a vessel of social change.

Some local authorities already support business and employment co-operatives as part of their enterprise promotion effort, and more might consider this option.

#### **2.2.2.4.      *Links to EQUAL case studies***

Egenanställning (Self-Employment) (S):

<http://www.egenanstallning.nu/>

Coopérer pour Entreprendre (F):

<http://www.cooperer.coop/>

Business and employment co-operatives:

[http://ec.europa.eu/employment\\_social/equal/news/200702-bec\\_en.cfm](http://ec.europa.eu/employment_social/equal/news/200702-bec_en.cfm)

De Punt, Ghent (B):

[http://ec.europa.eu/employment\\_social/equal/news/200702-bec\\_en.cfm](http://ec.europa.eu/employment_social/equal/news/200702-bec_en.cfm)

#### **2.2.2.5.      *Other useful links***

BolagsBolaget (S):

<http://www.bolagsbolaget.se/>

Coopaname (F):

<http://www.coopaname.coop>

The hub (UK):

<http://the-hub.net/>

### **2.2.3.      Incubators/workspaces**

#### **2.2.3.1.      *The challenge***

Business incubators are environments offering services that help young businesses to grow. Statistics show that they are very successful in improving survival rates – they raise the three-year survival rate of new business from 50% to 85%.<sup>8</sup> They have some characteristics that distinguish them from managed workspaces in general: they tend to recruit entrepreneurs of a particular type, to aim for a good mix of tenants, to charge cheap rents (at least at first) and to set an upper limit on tenancy. Above all, business support is an integral part of their role.

The concept of business incubation has most often been applied to property-based support centres for high-tech businesses. In this sense, a benchmarking study carried out for the European Commission in 2002 (see above) identified around 900 business incubators in the EU, creating 40,000 jobs a year at a net cost of €4,000 per job (€6,700 including set-up and finance costs). It reported that on average incubators cost €4 million to set up, which is usually paid from public sources. Running costs average €500,000 a year (40% being staff costs), of which 40% is recouped from tenants, and 37% is borne publicly. The norm is for an incubator to house 27 firms in a floor space of 3,000 square metres. It recommended that incubators should not be

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<sup>8</sup> [Final Report: Benchmarking of Business Incubators](#), Enterprise DG, 2002, page 14

standalone entities, but should form part of broader strategies, for instance regional or sectoral cluster strategies. They should accordingly be operated by inclusive public-private partnerships.

Though they are normally based in physical premises, the key factor in the quality of incubation is the business support provided, and this is divided into four areas: pre-start entrepreneur training, business advice, financial support (usually external) and technology support. Incubators work best where they serve a defined target market that can benefit from synergies. A certain turnover of tenants is desirable, with three years being the normal stay. Graduated rents are a way to encourage firms to move on when they are ready. Aftercare and networking is important in preventing the collapse of firms once they move out.

However the technique of incubation is just as applicable to inclusive entrepreneurship, where the criterion of success is not simply the creation of jobs and wealth, but its distribution. Here, the collective aspect of incubators is a key success factor. Going into business is synonymous with taking a risk – and risk creates a feeling of loneliness. Entrepreneurs therefore often feel isolated, and can benefit from networking with other people who are in the same boat as them. This is particularly important for non-traditional entrepreneurs, who tend to lack the cultural and social capital – the inherited attitudes and family links – that can make going into business seem an approachable challenge.

Intending entrepreneurs also often lack more tangible factors: somewhere to work, for instance to build a prototype, equipment such as computers and photocopiers, friendly and informal hints and tips on topics like book-keeping that – because one does not know the questions that one will need to ask – can if they are available nearby on a friendly and informal basis can turn a chore into a pleasure. Putting the spark into business can be a matter of grouping together in one place a few of the crucial support services and creating an atmosphere of mutual help.

#### **2.2.3.2.      *How EQUAL has approached the issue – examples***

##### **○              *Research on incubators***

Within EQUAL, the Cyfenter project in Wales conducted a [baseline study](#) on incubators and business premises in the UK in 2004. It found that the Welsh incubators were serving all the target groups of disadvantaged people with the exception of refugees: women, lone parents, young people, over-50s, ethnic minorities and Welsh speakers. However it discovered a mismatch between the services tenants wanted and those incubators actually offered. The incubators nearly all offered mentoring and training, but what the tenants identified as crucial was quite different: a reception service, mail franking, a meeting room, a low rent and advice. Broadband internet and secretarial assistance were also desirable. Despite a low level of childcare facilities, 28% of incubators served lone parents.

The study defined two different incubation models – property-based hot-desking. In the property model, elements of good practice include 'hub champions', a 'knowledge base', 'enterprise gateways' and 'hub directors.' In the hot-desking model good practice involves 24/7 accessibility, an open-plan layout, access to state-of-the-art multimedia equipment and reception facilities.

##### **○              *A rigorous six-month incubation process***

Enigma, part of the EXZEPT EQUAL partnership, puts its clients through a rigorous six-month process to create new businesses, mainly in creative industries such as graphic and internet design, film, music and public relations. “garage” in Hamburg has achieved a success rate of 82% of clients going into self-employment with nearly 90% surviving after two years.

Enigma started in Hamburg in 1998 and has since spread to Cottbus, Kiel, Hannover, Berlin, Essen and Dortmund. Every year it helps around 1,000 unemployed people through the process of starting their own business, and supports about 150 start-ups. Its “garage” model works as follows.

It does not divide a start-up into strict phases (orientation, planning, start-up and growth) but rather a distinction between long-stay and short-stay clients. The process starts with a half-day

selection interview followed by a month-long 'bootcamp' phase during which market research and business planning is done. The start-up is supported by individual coaching.

It offers 1-3 day seminars and workshops during the preparation phase, business plan support and post-start-up coaching. Clients are supported in-house for a period of six months, following which they benefit from monthly meetings and a hotline for another six months. Thus, a rapid start-up will qualify for a long post-start-up support.

A wide menu of training is on offer, covering, on a monthly basis, idea finding, market strategy, sales, market communication, accounting, finance (preparation for loan requests), legal questions, insurance, business planning, personnel communication skills, time/project management, team development, conflict management and personality development. A public information event happens at 1 p.m. every Wednesday.

Enigma does not offer programmes for specific target groups. Groups tend to be mixed: male–female, non-migrants–migrants, different age groups, students etc. The language and the individual approach are different, but the programme remains the same. Enigma supports its clients in obtaining microcredit, and also runs a qualification programme for business advisers.

Enigma espouses the following principles:

- Mutual respect between entrepreneur and advisers
- Confidentiality – no information is divulged without the entrepreneur's permission
- Clear terms of reference agreed at the start
- Market orientation – projects must be commercially viable
- Expert advice from qualified business advisers
- Coaching – the entrepreneur is at the centre, and the adviser does not intervene directly, but supports the entrepreneur to take their own autonomous decisions
- Expert opinions and objectivity

Quality assurance was made through regular evaluations by the Bundesqualitätszirkel für Gründungsberatung (BQZ) and users' feedback surveys.

#### ○ ***Women's incubators***

The historical focus of incubators on high-tech businesses mean that women have been poorly served. They have different needs from men. As part of the Accelerating Women's Enterprise ([AWE](#)) EQUAL project in the UK, Prowess carried out a study of incubators for women entrepreneurs<sup>9</sup>, and identified the following good practice factors:

- women value flexibility so that they can combine entrepreneurship with childcare, and often want to work part-time or from home
- women want childcare facilities and opening times that fit with schools
- public transport is necessary
- women-only networks and women advisers can be useful to boost confidence, and some groups may prefer women-only premises
- networking opportunities are important, especially as women tend to be excluded from conventional business networks
- women typically take longer to start a business, and so require a longer incubation period
- many women work in services, which grow relatively slowly.

#### ○ ***Incubators in disadvantaged communities***

The [K'cidade](#) project set out to regenerate areas of Lisbon, and therefore planned incubators specifically to attract people facing severe disadvantages in the labour market, such as unskilled women, people with disabilities, ethnic minorities and the long-term unemployed. The incubators provide new businesses with practical support including physical space, equipment, technical support and access to a shared managerial services platform to reduce the risk for the entrepreneurs and increase the chances of success.

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<sup>9</sup> [Women-friendly Incubation Environments and Managed Workspaces](#), Prowess, 2005.

### ○ **Value-led incubators**

A different way of establishing a community of interest among the tenant of an incubator, hence encouraging synergies, is to take a value-led approach. An example is the Union Gewerbehof in Dortmund, which has grown out of a squatting initiative that took over some partially disused steelworks premises and launched an incubator for environmental businesses. After a period of negotiations it came to a formal arrangement with the steel company and renovated the premises. It now owns and manages 5,000 square metres of workspace, in the form of a co-operative in which every tenant has a voice. Shared facilities are minimal – meeting rooms, copying and a vegetarian canteen – but the Gewerbehof very rarely has empty premises on its hands. It is attractive to entrepreneurs because it offers a community atmosphere, helped by being built round a courtyard that provides a natural focus for social activity. Another factor is the commercial terms on offer – it is easy to move in and there are no penalties for moving out again if business conditions dictate. The Gewerbehof does not believe in gimmicks – just an approachable management that is in tune with its tenants' needs, and a corporate structure that puts the entrepreneurs themselves in charge.

### ○ **Virtual incubators**

In Silesia (Poland) the WISP project run by SWR (Stowarzyszenie Współpracy Regionalnej – Association for Regional Co-operation) set up a model start-up support system. It took a proactive approach to bettering the lot of two groups of beneficiaries: unemployed people (especially young and long-term unemployed) and poor farmers. It developed a 'virtual incubator for the social economy' and carried out three activities – identifying market niches and developing business ideas, start-up support and consultancy, and development of various consulting tools for social economy start-ups. It developed four such tools:

- business plan for social economy start-ups
- recruitment procedure for the unemployed willing to set up business in social economy
- procedures of risk assessment
- financial engineering for social economy startups

The start-up process was broken down into five phases:

1. market research
2. writing the business plan
3. setting up a local support network and financial engineering – including training and preparation of contracts
4. documentation
5. initial meeting of assembly

The pilots have resulted in a care co-operative employing 11 women being established, and the 'Art Roundabout', an art and gastronomy centre (comprising a social co-operative restaurant and an association promoting young artists) is about to be launched. Several other co-operatives are on the stocks.

### ○ **Integration factories**

A little further east, near Kraków, the Partnership of Initiatives for Nowa Huta (Partnerstwo Inicjatyw Nowohuckich – PIN) piloted a new way of incubating new businesses, which they dubbed 'integration factories'. The project made use of the strong local work ethic, which has been frustrated by the closure of the town's Lenin Steelworks, and the social capital that comes from having worked as a team. It aimed particularly to help young people who already have some professional career and ambitions, yet are facing exclusion from the labour market. There were four particular groups: young people with a basic education, disabled people, 17-23 year-olds benefit recipients and unemployed people with no benefit entitlement.

The 'integration factories' were initially set up within one of the 12 partner organisations, and the entrepreneurs become employees. Mentors and experts are on hand to guide them in the mysteries of business planning, management, marketing and fundraising. The idea is that the entrepreneurs develop and experiment with their business idea, build up contacts, and after a period of a year or so the businesses will floated off as an independent unit, with a small endowment of stock, experiences, contacts and ideas that they have built up during their

sheltered upbringing. The appropriate legal form – co-operative, social enterprise, association or foundation – will be decided at that time. Alternatively, the business might remain within the parent structure. In any event, the idea is that links remain strong, with the parent and offspring keeping up a preferential trading relationship.

### **2.2.3.3. Recommendations for mainstreaming policies**

**Inclusiveness:** Policy makers should see inclusive incubation as an innovation practice in itself.

**Targeting:** A variety of forms of incubation may usefully co-exist in the same town, city or rural area. Incubation facilities should be deliberately targeted at potential entrepreneurs from groups identified as being disadvantaged. For instance women's incubators should offer female staff, flexibility to fit with childcare, and a relatively long incubation period.

**Diversity of staff:** A conclusion from the work of the CEFT transnational partnership<sup>10</sup> is that the content of training offered in incubators is less important than the quality and appropriateness of the business advice that is available – and, crucially, the mix of staff that is on hand to give that advice. If an incubator is to be truly inclusive, it must be welcoming to a wide range of clients and understanding of their attitudes, needs and behaviours. The staff should be as diverse, in terms of sex, age, ethnicity and background, as it is possible to be. **Diversity training** can be helpful in enabling staff to meet the needs of all clients.

Premises and services are not the whole story: the quality of the accompanying business advice, coaching, networking opportunities and access to finance are all-important.

### **2.2.3.4. Links to EQUAL case studies**

Cyfenter – Wales (UK):

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc6-cyfenter.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc6-cyfenter.pdf)  
<http://www.cyfenter2.co.uk/>

Exzept (D):

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc-exzept.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc-exzept.pdf)  
<http://www.exzept.de/>

Accelerating Women's Enterprise (AWE) (UK):

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc6-awe.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc6-awe.pdf)

K'cidade (P):

[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-07-kcidade\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-07-kcidade_en.cfm)  
<http://www.kcidade.com/>

Innova (D):

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc-innova.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc-innova.pdf)

WISP (PL):

[www.swr.pl/wisp](http://www.swr.pl/wisp)

Partnerstwo Inicjatyw Nowohuckych – PIN (PL):

[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-07-nowa\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-07-nowa_en.cfm)  
<http://www.pin.nowa-huta.net>

### **2.2.3.5. Other useful links**

Gewerbehof (D):

<http://www.union-gewerbehof.de/>

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<sup>10</sup> [Workshop on Growth and Sustainability of Business](#), Cardiff, February 2006.



## 2.2.4. Mentors and coaches

### 2.2.4.1. *The challenge*

The shift from being an employee to becoming an entrepreneur involves much more than just learning a series of hard business skills like accounting or marketing – even though these are undoubtedly crucial. In fact, it is increasingly recognised that entrepreneurship requires a series of attitudes, personal qualities and “mind-sets” which cut across traditional educational boundaries. It involves:

- a proactive attitude to searching out opportunities and solving problems rather than waiting for solutions to be handed down from above
- the ability to think laterally
- the willingness to experiment and, therefore, to take reasonable risks in the face of uncertainty
- the capacity to work in a team and motivate clients, suppliers and workers behind an idea, service or product.

These skills are hard to teach in a traditional way. Some people are clearly better at them than others but they are not necessarily the most highly educated or wealthier members of society. In fact, evidence shows that these entrepreneurial mind-sets and attitudes are generally acquired and perfected through experience – both directly and through family, friends and peers. This is why an entrepreneurial tradition takes time to build up but then is often passed down through generations in particular cultures and geographical locations.

This is also the challenge which has generated techniques like coaching and mentoring. Both recognise that certain entrepreneurial attitudes and skills are best developed by experiential learning – learning by doing or action learning – rather than by studying a textbook or attending a lecture. Both techniques also share certain common elements like the need to listen, to start firmly on the ground, and to generate trust, confidence and independence. The same person can be both a coach and a mentor. However, the two methods are quite distinct:

- Business **coaching** is the practice of providing support and occasional advice to an individual or group in order to help them recognise the ways in which they can improve the effectiveness of their business. It can be provided in a number of ways, including one-to-one tuition, group coaching sessions and large-scale seminars. Coaches can be used at any stage in a business's life cycle.
- On the other hand **mentoring** involves a developmental relationship between a more experienced mentor and a less experienced partner and typically involves sharing and comparing advice and information. It is always one-to-one.

So the key differences are in the shared experience, the more open “brainstorming” of solutions and the long-term progressive nature of the personal relationship.

### 2.2.4.2. *How EQUAL has approached the issue – examples*

Most coaching and mentoring methodologies were developed with mainstream ‘businessmen’ in mind. In fact, in some countries the stereotype of a business mentor is a retired white male bank manager. However, the underlying assumptions behind both methodologies also create a window of opportunity for opening up entrepreneurship to a wider public. EQUAL partnerships have found that many people who face disadvantage in the labour market come from backgrounds with a rich tradition of small-scale commerce, service or craft enterprise. The hidden skills that people develop in the daily struggle for survival can also provide the base for entrepreneurial talent.

Many EQUAL partnerships have explored both coaching and mentoring methodologies to try and unlock and build on this potential. In fact, 43 of the 274 EQUAL partnerships involved in business creation used different forms of business coaching, while 59 experimented with mentoring.

The Cyfenter EQUAL project in Wales carried out what is probably one of the largest action research programmes in Europe to find out about the real needs, obstacles and aspirations of under-represented groups when setting up a business. Over 2,000 people took part in three year-long phases from 2002-2005. As part of this research, Cyfenter commissioned a report on mentor support and guidance which surveyed the available literature and reviewed 36 different

organisations in the UK and Ireland. It identified three key issues which provide a useful framework for analysing the work of EQUAL and other projects in both coaching and mentoring.<sup>11</sup>

- Firstly, there is the issue of **matching** mentors and coaches with their users or clients. This is where most EQUAL projects have concentrated their efforts by looking at the specific needs of ethnic minorities and migrants, women and young people. Some projects have delved further into the needs of particular sectors like culture or design or particular types of area like deprived inner city neighbourhoods and rural areas;
- Secondly, there is the general need for training and controlling the **quality** of both coaches and mentors;
- Thirdly, there is a growth in the use of **information and communications technology** in combination with face-to-face contact to overcome the time and cost of distance.

#### ○ ***Matching coaches and mentors to the needs of entrepreneurs***

The concept of matching the service provided by coaches and mentors to the specific needs of their clients may seem obvious – but in fact it has a number of components. The first concerns the fit between the profile of the coach or mentor and the entrepreneur. In the case of a coach it can be easier to build up trust and understand the problems if both parties share the same culture, age and sex. In the case of mentors it is also important for them to have had more business experience than their mentee. Some EQUAL projects like [CAMEO](#) in the UK, which provided mentors for people wanting to set up business in the cultural sector, or Maison du Design in Belgium also try to provide mentors or coaches with experience in the same field or sector.

However, this process is never mechanical. As Riitta Korpela, who led a [mentoring project](#) in Ostrobothnia in Finland, says: “the chemistry has to be right”. This has led a number of projects to divide the coaching and mentoring process into a number of stages – often with an initial trial period. For example, [Mentor Raad](#), a well-known mentoring project for enterprise start-ups in Rotterdam, structured the matchmaking process in the following way:

- **Step 1: Initial interview with mentee.** After the application follows through, the project co-ordinator tries to get a picture of the entrepreneur (mentee)’s criteria, needs and preferences.
- **Step 2: Search for a suitable mentor.** With the information obtained from the initial interview the project co-ordinator seeks a mentor that can be of added value to the specific situation and desires of the mentee.
- **Step 3: Matchmaking conversation.** Once a suitable mentor has been found he, together with the mentee, set up rules, regulations and agreements concerning the contents of the mentoring process. This is to be sure that both parties have the same expectations before implementation.
- **Step 4: Support.** According to the agreements made during the matchmaking conversation the project starts, meaning that mentor assists the mentee and that the project co-ordinator is available to both.

#### ○ ***Building two way relationships – trust and confidence***

Coaching involves much more of a formal input than mentoring. The coach may want to “drill” their client in a particular field or help them to test a particular solution. The mentor usually behaves more as a sounding board, posing questions and comparing real life experiences. However, all the EQUAL projects involved in this area stress the importance of a first stage of building trust and confidence in the entrepreneurs so that they feel “empowered” to find their own solutions and seize new opportunities.

For example the EQUAL project [Euro Enterprise Evolutions](#) from the UK recommends starting at the root of the problem, tackling people’s lack of belief that they could ever become self-employed by developing emotional intelligence, personal motivation and a sense of wellbeing. It used life coaching, an innovative method for raising self-awareness and self-esteem among ex-offenders. The process starts with self-awareness and problem-solving sessions for the

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<sup>11</sup> Mentor Support and Guidance. Cyfenter. Menter a Business. March 2004.



participants to explore themselves and get to know their values. In further sessions the groups set goals and find out what skills they need to achieve them. The course goes on to look at conflict resolution and improving relationships.

Those who get the confidence to go into self-employment can follow the seven-week self-employment course that Euro Enterprise Evolutions offers in the premises of Breathing Space. This includes interactive games to show the importance of graphic communication, business quizzes to help participants work in groups, stress management sessions and active book-keeping games. A Dragons' Den activity, following the format of a BBC television programme, gets participants to present their business idea to a small group of experienced business people who ask questions and challenge the trainee entrepreneurs.

- ***Listening and understanding***

Getting past the first stage of trust and confidence building requires an intimate understanding and deep affinity with the target groups. For example, the partners of another EQUAL project called [AWE](#) attribute the success they have had with rural women entrepreneurs to the understanding they have of their clients' motivations and need. Coaches give full legitimacy to a part-time micro enterprise, which fits around family commitments, treating it as business that contributes to the rural economy. All training is offered in bite-sized chunks which fit into women's lives. Another EQUAL project, [Diane](#), from Belgium came to similar conclusions from the individual coaching programme they developed for women entrepreneurs

In the same vein, [EVU](#), a business support organisation in Copenhagen, supported by EQUAL, points out that advisers must make their own interpretations of the coaching method in order to adapt it to the cultural backgrounds of both the business owner (and the adviser) and to the actual situation. For example, in some cultures, asking direct questions is considered natural, while in others, such directness is seen as impolite. Some business owners believe that it is a waste of time if the adviser does not demonstrate his/her expertise by immediately giving concrete advice as to what should be done and how. Some consider the adviser to be an authority and ask him/her to decide what should be done. Some even expect the adviser to carry out the tasks for them.

Such expectations are in contradiction to the idea that the coach must not 'lead' the other person, set the agenda or promote his/her own solutions. Here the adviser must work with the client's expectations and in each individual case evaluate how far they must go. It can be necessary to meet some of these expectations in order to establish the relationship, but it depends to a great degree on whether the business owner really cannot cope him- or herself, or whether he/she is just using an opportunity to obtain some free labour.

- ***Providing coaching and mentoring as part of an integrated package of business support***

Neither coaching nor mentoring on their own can provide a solution to all the problems faced by entrepreneurs from disadvantaged backgrounds. The EQUAL projects [Van Achterstander naar Middenstander](#) in the Netherlands and [K'Cidade](#) in Portugal adapted coaching and mentoring methodologies to fit the needs of entrepreneurs in deprived urban areas, while GLOCAL carried out the same process in a deep rural area of Portugal. They all conclude that coaching and/or mentoring must form part of a wider range of business training, advice and financial support.

For example, K'Cidade opened its first one-stop shop in March 2006 in the Community Innovation Centre of Alta de Lisboa. These shops provide a support system to potential entrepreneurs made up of clearly defined stages from profiling and planning to start-up, consolidation and growth. Each stage provides services – such as counselling, motivation, vocational training, mentoring and facilitating access to microcredit – that help the entrepreneur acquire the personal competences, technical skills and resources necessary for success. Systems have been developed to record the progress made by the entrepreneurs along this itinerary in a way that is recognised by the entrepreneurs themselves, banks and other agencies.

Out in rural Portugal, [GLOCAL](#) developed an integrated system of one-to-one coaching and advice to help entrepreneurs develop their business plan. This was specially adapted to meet the

needs of women and young people in remote rural areas. Carla Santos who has created two jobs in her firm specialised in environmental services, says that besides the economic advice, GLOCAL has helped her in terms of the psychology and sociology of the project partners and how they could work together. This kind of advice is often what is missing.

Another interesting complement to individual coaching and mentoring has been developed by a London based project called [BizFizz](#) which established a local panel of people whose background, expertise and local know-how bring a second tier of support to clients following a tailored one-to-one coaching programme. The panel can include community activists, head teachers, faith group leaders, councillors and, of course, local business people.

○ ***Providing coaches and mentors with recognised training***

Some countries and organisations have very large, well-developed mentoring schemes. This is the case of Britain's [Prince's Trust](#) which has nearly 5,000 volunteer business mentors on its books. Each year these mentors help a similar number of young people who have been refused support from elsewhere to set up a business. With such a large scheme, the Prince's Trust realised that it was essential to provide their mentors with good training and to create a system for controlling and certifying their quality. They used EQUAL to develop a course for mentors that was recognised by SFEDI, the official standards authority in the UK.

On a smaller scale, the EQUAL project Euro Enterprise Solutions recruited local people with previous business experience by asking them if they would like to volunteer their time to mentor new entrepreneurs in return for an online 'coaching and mentoring' course for business advisers, provided by the Open College Network (OCN). The course lasts four months and is designed as mainly self-taught study, with one supporting session every two weeks. Mentors learn to have a good relationship with their clients and to develop mentoring skills such as asking good questions, listening and giving good quality feedback. "*The entrepreneurs get assistance in the difficult early stages of the creation of the company and the coach practices straight away what he learns*," says Peter, who is responsible for the coaching course.

Similarly, [ACBBA](#), the Association of Community-Based Business Advisers, based in London, has developed an accredited system of training business advisers who work in ethnic minority community organisations. It says that what is unique about its model is the presence not just of the training programme but of a package of support including access to mentors, briefings, computer-based tools for business advisers, library resources, peer support and access to ongoing business development.

○ ***The use of ITC – the chemistry also works on-line***

Although the basic trust required for a good coaching or mentoring programme nearly always requires some face to face contact, many projects are finding that web-based solutions can provide a powerful additional tool which can help enormously to overcome problems of distance and time.

For example, the GLOCAL EQUAL project developed a tool called [Netmentor](#) as a joint output of transnational work with their Spanish partner Lumen. It consists of a web-based system for monitoring company progress after start-up. The tool addresses a dangerous gap in post-start-up support in most European countries. It comprises an Excel application linked to an extranet which gives advisers an up-to-date picture of the companies in their portfolio without the need for costly meetings and travel. Obviously this is particularly useful in remote rural areas.

An URBACT project called [MILE](#), working on entrepreneurship among ethnic minorities in deprived urban areas is also exploring web-based tools to support what it calls "action learning sets" in different European cities. The action learning sets are small groups of people, for example business advisers for ethnic minorities, who want to learn from each other and from an external coach how to improve their service. The coach uses a combination of master classes conducted by telephone conference and web-based communication to facilitate the learning. This kind of approach is likely to grow rapidly in the future.

#### **2.2.4.3. Recommendations for mainstreaming policies**

- It is important to develop a system for matching the experience and skills of coaches and mentors with the needs of their clients.
- This not only means encouraging more women, young people and ethnic minority coaches and mentors but also ensuring that they have a good understanding and empathy with their clients' situations, in order to generate two-way trust, confidence and empowerment.
- For this reason it is often useful to foresee an initial screening or trial period in the coaching and mentoring process.
- Coaching and mentoring work best when they form part of a broader integrated package of business advice and financial support.
- In some countries mentors may be volunteers. In others this is unthinkable. But whatever the situation, both coaching and mentoring are highly sensitive, skilled activities with a lot of responsibility. They require good recognised training programmes.
- Web-based tools and solutions can provide a very powerful complement to face-to-face contact and will undoubtedly become far more important in the future.

#### **2.2.4.4. Links to EQUAL case studies**

Cyfenter – Wales (UK):

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc6-cyfenter.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc6-cyfenter.pdf)  
<http://www.cyfenter2.co.uk/>

Accelerating Women's Enterprise (AWE) (UK):

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc6-awe.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc6-awe.pdf)

K'cidade (P):

[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-07-kcidade\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-07-kcidade_en.cfm)  
<http://www.kcidade.com/>

Euro Enterprise Evolutions :

[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-07-eurentevo\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-07-eurentevo_en.cfm)

EVU (DK):

<http://www.buildingentrepreneurship.com>  
<http://www.evu.dk/>

Van Acchtenstander naar Middenstander (NL):

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc6-achterstander.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc6-achterstander.pdf)

GLOCAL (P):

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc6-glocal.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc6-glocal.pdf)

Netmentor (P):

[http://ec.europa.eu/employment\\_social/equal/products/prod121\\_en.cfm?urlcriteria=netmentor](http://ec.europa.eu/employment_social/equal/products/prod121_en.cfm?urlcriteria=netmentor)

Diane (B):

[http://circa.europa.eu/Public/irc/empl/equal\\_etg/library?l=/etg2/04\\_examples/etg2-exa-003-v2-en-sf/EN\\_1.0\\_&a=d](http://circa.europa.eu/Public/irc/empl/equal_etg/library?l=/etg2/04_examples/etg2-exa-003-v2-en-sf/EN_1.0_&a=d)

Reflex (UK):

<http://sied.acbba.org.uk/>

CAMEO (UK):

<http://www.equal-works.com/DPDetail.aspx?ety=5f306bb9-e854-4eff-a1a4-7e965bbb01e6>

Maison du Design (B):

<http://www.maisondudesign.be/>

#### **2.2.4.5. Other useful links**

Mentoring in Finland:

[http://wikipreneurship.eu/index.php5?title=Mentoring\\_in\\_Finland](http://wikipreneurship.eu/index.php5?title=Mentoring_in_Finland)

Mentor Raad (NL):  
<http://wikipreneurship.eu/index.php5?title=MentorRaad>

Prince's Trust:  
[http://wikipreneurship.eu/index.php5?title=Business Mentoring - Prince%E2%80%99s Trust](http://wikipreneurship.eu/index.php5?title=Business_Mentoring_-_Prince%E2%80%99s_Trust)

ACCBA:  
<http://wikipreneurship.eu/index.php5?title=ACBBA>

Bizzfizz:  
<http://wikipreneurship.eu/index.php5?title=Bizfizz>

MILE:  
[http://wikipreneurship.eu/index.php5?title=Proposed MILE coaching clusters](http://wikipreneurship.eu/index.php5?title=Proposed_MILE_coaching_clusters)

## 2.2.5. Quality standards for advisers & programmes

### 2.2.5.1. *The challenge*

If the opportunity to go into business, and to contribute to Europe's competitiveness, is to be brought to all Europe's citizens on an equal footing, then the techniques of promoting inclusive entrepreneurship need to be taken seriously by the relevant institutions, and given high visibility. Quality standards for those working in this field, as well as the programmes they operate, are absolutely crucial in this. Standards are also a powerful tool for forcing continual improvement, as they allow performance to be compared over time and among competing organisations. They inspire confidence among users, and thus increase the number of potential entrepreneurs who are willing to give self-employment a try. Finally they forge an identity, engender pride in the profession, and create career paths that lead to continuity and sustainability.

By adding 'social inclusion' to the quality criteria applied to business services, EQUAL has exposed the need for fundamental changes in certain cherished business support methodologies. For example, more accessible and flexible business planning tools may better reflect the more gradual, organic way in which many businesses are started by women and ethnic minorities. However, to ensure that these methods are not restricted to specialist support services, training packages on diversity have been developed for business advisers and used extensively at a national and at regional level for a broad range of disadvantaged groups.

### 2.2.5.2. *How EQUAL has approached the issue – examples:*

#### ○ *A four-stage model*

In Germany, [Verbund Enterprise](#)'s main achievement has to been to develop a distinctive support methodology that incorporates a number of innovations. At the heart of the new approach is a structured business support pathway made up of **four clearly defined stages**:

- profiling (lasting about four weeks)
- planning (3-12 months)
- start-up (approximately six months)
- consolidation and growth (3-5 years)

Each stage involves the provision of a **variable menu** of services (lifestyle-relevant counselling, modular training and qualification, voluntary mentoring and stabilising coaching plus access to microcredit) which help the entrepreneur to acquire the personal competences, skills and resources that are necessary for success. The core process, comprising a mix of four services:

Two features stand out:

- First, during the **profiling** stage Verbund Enterprise is quite careful to select the entrepreneurs who have the right formal and informal characteristics to become an entrepreneur – above all **motivation and commitment**. This contrasts with the less selective model used by the Prince's Trust in the UK.

- Secondly, it is seen as crucial to provide **aftercare** for a considerable time – up to three years – after start-up. Both these aspects have a major effect on the sustainability of start-ups.

Another methodological contribution has been to change the concept of 'one-stop-shop' from that of one organisation trying to do everything under one roof to that of a partnership which orchestrates the inputs of grassroots youth organisations, mainstream business advisers and financial institutions into a tailor-made package of support for young people. During each phase of the support pathway, the Development Partnership pulls in different specialist and mainstream providers to provide specific services.

The model includes individual counselling from personal advisers who supervise the entire itinerary, a pool of expert mentors and various forms of access to start-up capital, including a specially designed microlending fund (for example a loan of up to €5,000 for four years at a 5% rate of interest with no security required). It has been found that the microcredits both attract young people and help to build a longer-term relationship with financial institutions.

To ensure quality along the entire pathway, Verbund Enterprise designed an **Enterprise Quality Management Structure** (EQS) which covers all four stages of the support system. The design pays attention to both the process and the results. Its key features are:

***The right components of support:***

- an induction phase that includes careful profiling
- training that is relevant to the life situation of the individual entrepreneur and starts from where they are
- qualifications that are relevant to practical needs
- back-up from home learning materials (written and online)
- access to the real world of business, through mentoring from experts in the field
- aftercare in the form of coaching.

***Sourcing different components from the best providers:***

- a support system that is anchored in a local network of actors from the administration, business, associations and community groups

***A tool for control, and transparency and portability:***

- The Enterprise Passport (**Gründerpass**) enables quality control and tracking to be exercised over a tailored support package which bundles together a varied range of services delivered by a number of different organisations (grassroots youth organisations, mainstream business advisers and financial institutions). It provides a clear and transparent road map of the progress made by the entrepreneur at each stage. A specific internet-based database program is used to display the passport's structure and contents digitally. This enables users to plan, accompany, document and evaluate the start-up process over the four phases on an ongoing basis – independently of time and place. The system can be used to manage communication via mail and e-mail between the various partner organisations, the business starters and other external institutions. It also delivers statistical data on business starters, services taken and the different phases.

○ ***A business co-operation option***

[De Punt](#), the incubator in Ghent, Belgium, adds an interesting twist to the conventional model of business start-up support. Its model of the start-up process comprises five phases:

- mission
- business plan
- financial plan
- preparation
- launch

But De Punt adds an optional sixth phase, that of "business co-operation" – independent businesses that work together to make themselves stronger. This sometimes arises naturally between entrepreneurs who have worked alongside each other in the Startpunt activity co-operative located on the same site.

○ **Four aspects of the business adviser's role**

The '[On Target](#)' partnership that continued the work of Verbund Enterprise in the second round of EQUAL comprised members from Germany, Scotland and Spain. They worked on three themes: profiling/outreach, iconic branding and adviser standards. They compared their respective job descriptions and found that the qualities they desired in the ideal adviser were remarkably similar across the four partner regions. The project codified them and then validated the profile against 24 cases they had actually advised, and also surveyed the views of entrepreneurs and advisers. This revealed that Approach and Skills (the more internal competences) scored more highly than Knowledge and Experience. In fact Approach was rated most important and Experience least.

The project defined minimum competences for two different professions, the 'business informer' who provide initial orientation and encouragement to intending entrepreneurs, and the 'business adviser', who supports them throughout the start-up process.

Now that a common European quality standard has been worked out, the next step is to gain accreditation for it in each national system. Then training courses can be devised to enable people to gain the relevant vocational qualification.

<b>On Target – minimum standard for business advisers</b>	
<b>1. Knowledge</b> <ul style="list-style-type: none"> <li>• Access to finance</li> <li>• Regional and local environment (institutions, conditions etc.)</li> <li>• Cross-sectorial competencies (law, marketing, finance)</li> <li>• Methodological knowledge</li> </ul>	<b>2. Experience</b> <ul style="list-style-type: none"> <li>• Business experience</li> <li>• Working with people and advising experience</li> </ul>
<b>3. Skills</b> <ul style="list-style-type: none"> <li>• ICT / information / networking</li> <li>• Project management</li> <li>• Analytic skills</li> <li>• Social competence (empathy, ability to listen, communication, self-reflection, team-working)</li> <li>• Business financial planning</li> <li>• Pedagogical skills</li> </ul>	<b>4. Approach</b> <ul style="list-style-type: none"> <li>• Pro-activeness</li> <li>• Personal commitment (self-motivation)</li> <li>• Curiosity</li> <li>• Open-mindedness (no barriers)</li> <li>• Orientation towards customers</li> <li>• Congruence with customer</li> <li>• Objectivity / honesty / realism</li> <li>• Confidence</li> </ul>

○ **Business training for women**

The [Accelerating Women's Enterprise](#) (AWE) EQUAL project in the UK developed a wide range of professional development training programmes in women-friendly business support issues. For example, the "Gender Lens for Business Support" is an intensive and interactive one-day course using a combination of presentation, case study discussion, audience presentation and workbook self assessment. It looks at the issues facing women in business and the way business support organisations, banks, accountants and so on can give them the help they want.

[Prowess](#), part of AWE, developed an accreditation process through which it awards its members 'flagship' status. The **Prowess Flagship Award** is a best practice quality standard for excellence in women's enterprise development. This nationally and internationally recognised quality mark has been achieved by organisations all over the UK.

Endorsed by the Department for Business, Enterprise and Regulatory Reform (BERR) and several of the Regional Development Agencies (RDAs) it is proven to enable organisations to: demonstrate expertise to funders, develop high quality services for women and increase their client base.

The Flagship Award now incorporates four quality mark standards:



- The Start-Up Support Standard
- The Established Business Support Standard
- The Business Women's Networks Standard
- 'Commitment to Flagship' Status – a development tool for organisations who cannot meet the core Flagship Criteria immediately, but can realistically do this within a set timeframe.

The accreditation process starts with a self-administered checklist, which can be downloaded from the Prowess website. This is assessed, and followed by a one-day site visit. Fees amount to some £1,400 (€2,000). The standards draw on decades of good practice, being the fruit of a sustained collaboration across the country, supported by the national Phoenix Development Programme as well as by EQUAL. The standards are graded, so as to lower the threshold for new organisations. They are supported by an active community of practice made up of the members of the Prowess association.

#### ○ **Community-based business advice**

In the wake of EQUAL, quality standards are also under development for business advisers working in minority communities. In the UK, a handbook called *How to be a Brilliant Community Based Business Adviser* has been published by [ACBBA](#), the Association of Community Based Business Advisers, together with SFEDI. It combines the practical experience of community-based business advisers with the knowledge and skills required to gain an accredited professional qualification. This is one way in which SFEDI is buttressing the inclusiveness of its range of qualifications, which include Business Adviser, Social Enterprise Adviser, Business Mentor, Enterprise Trainer, Skills Broker and Business Link Broker.

#### ○ **Social enterprise adviser standards**

EQUAL supported the development by the [Social Enterprise Partnership](#) (SEP) in the UK of new formal occupational standards both for managers inside social enterprises and for those advising them externally. The process started with a survey of training and development needs, which showed that what was most in demand was a higher-level qualification for people advising social enterprises, rather than one for managers in the enterprises.

The first stage of the work was to develop, 'national occupational standards' (NOSs) for social enterprise managers and advisers respectively, using surveys and focus groups. These standards are functional analyses, statements of what tasks, knowledge and understanding are required to do a job, and can be used in many ways, such as defining job descriptions, as well as qualifications.

To build up the standards, SEP developed seven new units, three of which are specific to the management standards:

- **improve relationships with stakeholders in a social enterprise:** this involves identifying different types of stakeholder and how they might be involved; encouraging them to be involved; making sure they understand what they are supposed to be doing; and settling any conflicts of interest.
- **work with a board of directors in a social enterprise:** this involves choosing, training and informing directors, clarifying your and their responsibilities, and presenting information well.
- **monitor the social performance of a social enterprise:** this involves making sure the social objectives are right; developing new objectives if need be; avoiding conflict between social and commercial objectives; setting up systems to measure and report on social performance; and deciding how to improve social performance in the future.

The next three units are specific to the advice standards:

- **develop opportunities to start social enterprises:** this involves promoting social enterprise opportunities, identifying individuals and organisations that might want to be involved, encouraging them to work together, researching what might affect the potential social enterprise, developing a proposal and making sure it is likely to succeed.
- **help to start social enterprises:** this involves deciding the purpose, values, principles and objectives of the potential social enterprise; deciding on the right legal and management structure; and developing a business plan.

- **help social enterprises to improve their performance:** this involves reviewing social and commercial performance; improving structure and operations; balancing commercial and social objectives; and preparing plans to achieve financial stability and independence.

The final unit – social enterprise – knowledge and understanding of key areas of business – is relevant to both managers and advisers. It covers the meaning of the term ‘social enterprise’, the values of social enterprise, the circumstances in which a social enterprise may be started, similarities and differences with other types of organisation and between different types of social enterprise, linking social objectives to commercial objectives and including them in a business plan, legal structures, start-up capital, handling mixed income streams and sources of specialist support.

These standards were developed in partnership with the Small Firms Enterprise Development Initiative (SFEDI), and were then approved by the National Occupational Standards Board.

The next stage was to develop a ‘Nationally Recognised Qualification’, which involved identifying a suitable approved ‘awarding body’ – in this case the Institute of Leadership & Management (ILM) – and getting it accredited by the Qualifications and Curriculum Authority (QCA).

The end result is a Level 5 Award in Understanding Social Enterprise ([USE](#)), rated at six units, which means that students are expected to put in 60 hours of study to obtain it. Units can be built up a few at a time, making it suitable for part-time study. It has no formal entry requirements, and is targeted at practising managers, consultants or business advisers, with several years’ experience and appropriate training and qualifications. It covers:

- values and purpose of social enterprise
- organisational and legal structures for social enterprise
- finance and support for social enterprise
- case studies in social enterprise

It is assessed through a live case study assignment of 1,500-2,000 words

Holders of the USE qualification can follow it up by following a six-day programme leading to the ILM’s Certificate in Social Enterprise Support.

#### ○ ***Franchising advice***

[CREATE](#), a project focusing on franchising as a way to open up entrepreneurship, also developed **standards for business advisers**. These establish a checklist of what business advisers should know, such as helping clients to understand the pros and cons of different structured business formats (SBFs) and preparing clients to meet any entry criteria required by the organisation. These standards are to be integrated into the UK’s National Business Adviser standards.

#### ○ ***Social enterprise standards***

There are also a number of initiatives to develop or adapt appropriate quality management tools for inclusive and social enterprises. In Britain, Social Firms UK (SFUK) launched the [Star Social Firm Quality Standard](#) in February 2008. This is based on 22 essential plus four desirable criteria of quality for a social firm (work integration social enterprise). These indicators, piloted under EQUAL, are divided into three categories:

1. **Enterprise:** legal status and constitution; financial and environmental sustainability; business sustainability.
2. **Employment:** employment of severely disadvantaged people; employment conditions; clarity of role within the workplace and at board level
3. **Empowerment:** legal compliance; training and learning; proactive support and development

For the token fee of £50 (€70), SFUK will carry out a quality audit. The standard is externally validated by the official standards-setting body, the [Small Firms Enterprise Development Initiative](#), SFEDI.



This quality standard is in fact only one of several that were developed by and for different types of social enterprise under the EQUAL [Social Enterprise Partnership](#) DP. These included key performance indicators for co-operatives and an impact evaluator for development trusts. Twenty-two methodologies for assessing quality and impact were compared and contrasted in the online toolkit [Proving and improving](#): a quality and impact toolkit for social published by the New Economics Foundation.

In Belgium, the Ministry of Sustainable Development and Social Economy has sponsored the adaptation of the EFQM (European Foundation for Quality Management) quality system for use in the second-hand sector. A project is currently under way led by the [Koepel van Vlaamse Kringloopcentra](#) (Umbrella Organisation of Recycling Centres).

#### **2.2.5.3. Recommendations for mainstreaming policies**

Advisers surveyed for the British SIED project reported that their jobs required two broad sets of skills – business-related knowledge and skills, such as business planning and finance, and interpersonal skills, those needed to build and manage relations with clients and others who can have an impact upon the adviser-client relationship.<sup>12</sup>

Professional qualifications for business advisers should as a matter of course be built on **principles of inclusiveness**. But they should be accompanied by **specific guidance**, based on practical experience, of working with disadvantaged communities.

Qualifications should cover the **four aspects** of knowledge, experience, skills and approach.

Qualifications should be **modular**, so that advisers can study for them part-time in parallel with their working life.

Qualifications should be formally **accredited**. This increases advisers' credibility in their clients' eyes, improves their confidence, provides a career structure, a measure of achievement and the sense of belonging to a valued profession. As a measure of achievement, it also enhances job mobility. For organisations employing business advisers, having accredited staff is a marketing plus as well as an aid to efficient recruitment. Thirdly, accreditation raises the profile of the business advice profession in the external world.

#### **2.2.5.4. Links to EQUAL case studies**

Verbund Enterprise (D):

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc-verbundentrep.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc-verbundentrep.pdf)

De Punt, Ghent (B):

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc6-socialact.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc6-socialact.pdf)

On target (UK):

<http://www.start-up-support.net>

Accelerating Women's Enterprise (AWE) (UK):

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc6-awe.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc6-awe.pdf)

Social Enterprise Partnership (UK):

[http://ec.europa.eu/employment\\_social/equal/data/document/200604-se-etg2-t8a.pdf](http://ec.europa.eu/employment_social/equal/data/document/200604-se-etg2-t8a.pdf)

<http://www.sepgb.co.uk>

CREATE (UK):

[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-06-ukgb-create\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-06-ukgb-create_en.cfm)

Social Act:

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc6-socialact.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc6-socialact.pdf)

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<sup>12</sup> SIED – Supporting Inclusion in Enterprise Development: [Final Report](#), December 2007,

### **2.2.5.5. Other useful links**

Prince's Trus (UK)t:

[http://wikipreneurship.eu/index.php5?title=Business Mentoring - Prince%E2%80%99s Trust](http://wikipreneurship.eu/index.php5?title=Business_Mentoring_-_Prince%E2%80%99s_Trust)

Star Social Firm Quality Standard (UK):

<http://www.starsocialfirms.co.uk>

Small Firms Enterprise Development Initiative (UK):

<http://www.sfedl.co.uk>

## **2.2.6. Training**

### **2.2.6.1. The challenge**

In the modern globalised economy, Europe cannot stay competitive by relying on natural resources or low-cost manufacturing. Its strongest suits are in highly skilled technological and creative industries, and in innovative services that serve new markets and new social needs. Both demand lifelong reskilling, to acquire new skills of very different types. One new area of skills concerns entrepreneurship – the art of identifying and seizing opportunities to serve new markets. Another new area is in responding to the changes in society brought about by such phenomena as increased lifespans, higher activity rates and greater labour mobility and migration.

The need exists not only to enable more people to acquire these skills, but to codify them into professional qualifications, which are the bedrock of labour mobility and are especially important in opening up career opportunities for people from minority communities, who cannot rely to the same extent on informal contacts to obtain jobs.

### **2.2.6.2. How EQUAL has approached the issue – examples**

EQUAL projects took a number of approaches:

- training as part of a therapeutic approach to integrating those far from the labour market
- training in general entrepreneurial skills, so that individuals can make a success of their own business idea
- training in specific fast-growing sectors, such as media and fashion, to build a cluster of enterprises that could lend each other strength
- professionalising specific occupations such as elderly care
- structuring skills and qualifications in new professions
- social economy management training
- creating transnational qualifications

#### **○ Training as part of a empowerment approach**

Self-managed enterprises such as co-operatives are by their nature empowering, as all members have to take the responsibility of running the business. The process of group working and decision-making can be an important socialising and therapeutic tool. EQUAL has for example found ways to successfully reintegrate ex-drug addicts and education dropouts into the labour market through theoretical/practical courses in starting a social enterprise. Basta Arbetskooperativ, an 80-strong co-operative of ex-drug addicts, shows how some categories of people, such as ex-drug addicts, have the potential to keep professional jobs, but, since they have dropped out of formal education, they lack the formal qualifications to gain such a job. By boosting confidence, building skills and offering ways into work for people with low qualifications, social enterprises play an important role in integrating disadvantaged people into the labour market.

In Germany, the [Innova](#) partnership successfully piloted training courses that empower unemployed people by making them the boss of their own co-operative enterprise.<sup>13</sup>

○ **General entrepreneurship training**

Two lessons stand out in designing effective general training for entrepreneurs:

- training should be carried out as part of an integrated process of start-up support
- It should combine both theoretical and practical components

In Portugal, the [Glocal](#) project implemented the **Premium Programme**, an integrated start-up support system. This has two phases:

- Basic – comprising an ideas workshop, mapping of opportunities and access to microcredit. At the end, the business idea is presented to an internal panel;
- Advanced – comprising a presentation to an external panel, sponsorship, voluntary mentoring and business networking.

This two-phase structure recognises the crucial need for balance: theoretical learning must be brought alive by support from an experienced business person through the start-up process, and can be helped by self-help groups among entrepreneurs. Spirits are raised through an awards scheme.

Support for one year usually takes about 90 hours of consultancy and action-learning plus 30 hours of support, costing €2,500-3,000. Glocal estimates that of 120 people attending an ideas workshop, 15 will take the training course and that this will result in ten businesses being set up.

The *Initial training for entrepreneurs* course consists of 240 hours of classroom teaching, delivered as 40 discontinuous days. It goes in parallel with an action-learning programme which incorporates a skills audit. The fundamental tools are the manual *Criar e Consolidar Empresas Glocals Passo a Passo* ('creating and consolidating glocal enterprises step by step') and *Ser empreendedor Sustentável Passo a Passo* ('becoming a viable entrepreneur step by step')

The modules comprise:

- justifying and shaping the business idea (18h)
- skills audit (18h)
- formalities and taxation (30h)
- strategy (18h)
- quality, environment and innovation (18h)
- social responsibility (18h)
- marketing (18h)
- leadership and human resource management (18h)
- finance (24h)
- business planning (30h)
- business valuation (30h)

It is accompanied by a programme of action-learning and fundraising, which has the following structure:

- strategy definition: enterprise skills, market analysis, SWOT analysis, definition of implementation strategies for the business
- business plan and financial feasibility study, marketing plan, operational plan, human resource plan, economic and financial plan
- raising finance: investment, sources of finance, conditions of finance and repayment plan
- creation of the business, formalities and licences
- conclusions and evaluation.

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13

### ○ **Sector-specific start-up training**

When local authorities wish to stimulate growth in a particular industry sector, they need to make sure the training they offer connects with the needs of the entrepreneurs they are targeting. In Wallonia, the [Maison du Design](#) offers young artists a crash course in how to run a business. FOREM, the regional office for training and employment and a partner of the project, provides design entrepreneurs with a 40-hour training course on the essentials that an entrepreneur needs to know. It provides young artists with crucial information that they were never told in art school such as what it means to be self-employed, what paperwork is needed to run a business, how to understand accounting papers and how to read a contract. This course has been developed on the basis of a questionnaire undertaken in the Maison du Design to find out the weak points and areas of lack of knowledge of designers. Nine young artists started the new course in October 2006 already aware that their dream to make a living in fashion or photography will never come true if they do not learn the rules of business.

### ○ **Professionalising the fast-growing care sector**

The *Dritt-Sektor-Qualifizierung in der Altenhilfe* project was run by a coalition of the main welfare organisations (*Wohlfahrtsverbände*) in the German *Land* of Baden-Württemberg. It addressed the problem of the fast-growing demand for elderly care: in Baden-Württemberg there are 34,000 people working in institutional care and a further 12,000 in mobile care – but demographic change means that this figure needs to grow by 25% by 2010.

By carrying out training in care skills, it simultaneously improved the supply of high-quality care, integrated disadvantaged groups into the workforce, and reduced the extent of informal work. It aimed to improve personnel development, raise job quality, and create jobs in elderly care. It filled a gap in **human resource planning** by creating a "personnel development planning concept" which it supplies free of charge. To promote take-up of the new tool the project ran a series of training courses and events.

- On **job quality**, it has addressed the problems that part-time staff have no opportunity to train; that there is no language training for the 15%-18% of workers who are immigrants; that there is no strategy for diversity management; that health and working time management are deficient; and that there is no sensitivity to the needs of older workers. It developed a **benchmarking tool**, and ran model projects with a view to creating a self-evaluation tool.
- The project also created employment, by delivering **training** in care skills to women returners (who constitute a major unused resource), unskilled unemployed people, and immigrants. Altogether more than 20 training courses for about 350 participants were carried out. In three places there were **job rotation** schemes. This means that while staff undertake vocational training, their posts are filled temporarily by unemployed people, who thus gain work experience and an improved chance of a job offer. Almost 200 participants undertook vocational training, and about 55 people were temporarily employed.

The project demonstrates that caring for elderly people is a motor for job creation, and can provide jobs for many people who would otherwise face the risk of unemployment and exclusion. It also shows how important it is that vocational training systems are flexible and can evolve to meet new social needs.

### ○ **Creating new professions**

One of the distinctive features of the training carried out in EQUAL was to structure the professional qualification of new professions that address new trends in society.

The SEED ([Social European Enterprises Development](#)) transnational partnership worked across France, Greece and Italy. One of its activities was to sharpen the profile of two new professions, much needed in suburban housing estates, of '**social mediator**' and '**social caretaker**'. The job of social mediation involves defusing potential conflicts by listening to problems, creating dialogue, and helping people in need, especially those of foreign origin, to obtain access to help. This might include arranging meetings at schools or medical centres, or simply providing the security of a human presence in the public places. Social caretakers offer elderly or disabled

residents a myriad of services ranging from shopping to minor household repairs. The French are in advance in this domain since they have developed these into recognised professions and analysed which competences are required, which boosts labour mobility. More importantly still, they have opened up access to these professions by developing ways to certify experience and not only taught courses.

In Italy, the *Welfare Integrato e Imprenditorialità* project in northwest Italy developed and tested on-line training courses leading to a masters' degree in social business administration. The training is developing a new profession, the '**intermediary of confidence**', with the following skills profile:

- mapping the outsourcing policy of profit-making enterprises
- mapping the social economy offer
- arranging meetings between public authorities, private enterprises and social enterprises
- developing corporate social responsibility policies
- developing innovative ideas

The qualification is accredited by the economics faculty of Padua University for the year 2005/6, and its delivery is scheduled so as to facilitate the participation of working managers. EQUAL has also shown that the tensions that arise within our changing societies require the exercise of new social roles. For instance, in some areas young people from immigrant communities may find it difficult to find a suitable job. Their experience of facing, and possibly resolving, such difficulties can be turned into an asset, by training them to help other people facing similar problems. Training people to carry out new professions such as intercultural mediator or social economy coach not only helps them to integrate into society, but also makes them catalysts for the integration of those they advise.

More generally, the management of social enterprises is in increasing demand. Their multiple stakeholders and objectives mean that managing them is a complex balancing act, which demands a broader range of skills than much conventional management. There is therefore a need for better-targeted and widely available training in social enterprise management.

#### ○ ***Social economy management training***

As well as training in specific sectors and new professions, EQUAL also developed training courses for a specific style of management – that in the social economy. This takes into account the multiple stakeholders in social enterprises, the multiple bottom lines (economic, social and environmental) and the multiple resource streams (sales, grants, secondments, volunteering). As part of the [Tu Jest Praca](#) ('We have jobs') project in Poland, Warsaw University Institute of Social Policy piloted a new *Postgraduate programme in social economy management*. The 230-hour curriculum covers:

- civil society and the social economy (including theories of local development and EU structural policy)
- roles and instruments of social economy in local development (including partnership building)
- management of social economy institutions (including value-based leadership, human resource, financial and project management, planning and marketing)
- the legal and fiscal framework, including mobilising endogenous potential and untapped local resources
- social entrepreneurship (including services of general interest, entrepreneurship and corporate social responsibility)

The course also includes seminars and workshops on advocacy and lobbying as instruments of building local social infrastructure, and on new technologies in the social economy, as well as internships abroad.

#### ○ ***Transnational delivery of a common curriculum***

The partners in the [ECCO](#) – European Community Co-operative Observatory partnership (TCA 397) led by the Thames Gateway DP, piloted an 18-month university-level qualification, the European Certificate in Community Enterprise (ECCE). While delivery was divided among the six participating countries (ES, FR, IT, RO, SE, UK), the course was validated by the University of East London. It developed a common understanding of the social economy, built "communities of

practice" to improve skills, and created a new professional profile, the "community enterprise agent". Thirty students started the course, and six dropped out. The progress of the work in EQUAL showed that wide variations in practices of social enterprise development in different countries still allow useful lessons to be learnt. The partnership approach was a strong success factor in learning the right things and in enabling the work to be further developed into a feasible European model for social enterprise support practice.

### **2.2.6.3. Recommendations for mainstreaming policies**

By supporting innovative and transnational work in training, EQUAL has had a profound effect on the working of the European Social Fund, itself a key funder of training in Europe. The EQUAL principles of partnership, innovation, transnationality and gender mainstreaming have been carried forward into the operation of the ESF in the period up till 2013.

First, EQUAL demonstrated the vocational training systems must be sufficiently flexible to adapt to meet new social needs, and in particular the new relational needs stemming from demographic and migratory trends.

Furthermore, it showed the important role of vocational qualifications in establishing new professions, and allowing a coherent stable career progression. It also showed how accreditation enables the people working in these professions to take advantage of labour market mobility, and supported innovative transnational work to establish European level standards to facilitate transnational trading and labour mobility.

In particular, a group of linked professions that combine business advice with community development are emerging. These concern the promotion of entrepreneurship among women, ethnic minorities and other disadvantaged groups, as well as social enterprise development. Recognised qualifications in these areas would raise the profile of these activities, attract a wider range of advisers, and improve labour market transparency and job quality.

To aid labour mobility, such qualifications should be agreed at European level and made widely available. There is interest in several EU countries in vocational curriculum development in inclusive entrepreneurship and social enterprise promotion and management. A first step towards creating such curricula would be to bring together the necessary critical mass of centres already providing such training, to form a European network, so that they could work out the best ways of collaborating.

### **2.2.6.4. Links to EQUAL case studies**

Basta Arbetskooperativ (S):

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc-eff.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc-eff.pdf)

Tu Jest Praca (PL):

[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-07-tujestpraca\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-07-tujestpraca_en.cfm)

Innova (D):

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc-innova.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc-innova.pdf)

Glocal (P):

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc6-glocal.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc6-glocal.pdf)

European Community Co-operative Observatory partnership:

<https://webgate.ec.europa.eu/equal/jsp/tcaView.jsp?id=397>

Maison du Design (B):

[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-07-maisondesign\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-07-maisondesign_en.cfm)

Dritt-Sektor-Qualifizierung in der Altenhilfe (D):

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc6-altenhilfe.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc6-altenhilfe.pdf)

SEED (Social European Enterprise Development)

<https://webgate.ec.europa.eu/equal/jsp/tcaView.jsp?id=575>



### 2.3. ACCESS TO APPROPRIATE BUSINESS FINANCE

Financial institutions often claim that there is always money available to finance a good business idea. However experience teaches that many potentially viable businesses are refused finance – for all the wrong reasons. Studies show that ethnic minorities refer to difficulties in accessing finance as the most important barrier to setting up a business, while for women it is the second most important barrier, and for young people the third. Problems are to be found on both the supply and demand sides of the equation.

#### Supply-side problems

The EU defines micro lending as consisting of loans of less than €25,000, but in fact many businesses need even smaller amounts of capital. There are two main reasons why these relatively small sums are difficult to raise. The first is that the smaller the loan, the higher the transaction costs are as a proportion. The second issue, particularly for non-traditional entrepreneurs, is perceived risk. Banks use elaborate scoring methods based on credit histories to assess personal lending, but disadvantaged people often lack not only collateral but experience and a business track record.

Regulatory reform, particularly the [Basel II Accord](#) (as implemented by the EU Capital Requirements Directives), is making access to finance even more difficult. Moreover the gradual withdrawal of traditional banks from the local and mutual economy, partially owing to the pressure from the banking regulations, is predicted to make things worse. Socially orientated financial networks like [FEBEA](#)<sup>14</sup> point to the 'general withdrawal of (mainstream) banks from the local economy' and the 'gradual loss of the traditional banks of the local and mutual economy (e.g. credit co-operatives) by de-mutualisation, merger or privatisation'.

#### Demand-side problems

However, there is evidence<sup>15</sup> that there are also problems related to the demand for microcredit. Not all business proposals and people are 'investment ready'. The take-up of micro-credit is heavily affected by the competing availability of grants and the tax and social security implications of setting up a business. In this highly complex scenario, it has become clear that it is not enough simply to increase investment in funds that offer small loans: in some places, the take-up of such funds has been slower than expected. Moreover, an indiscriminate increase in small loans may increase problems of over-indebtedness (resulting from credit card and consumer loan abuse) among certain sections of the population. The key problem, therefore, appears to be not just how much finance is offered to disadvantaged people, but what kind of finance.

For example, an existing micro-enterprise may want a loan of near the €25,000 ceiling to develop its business. But unemployed people who want take the first step to earning an independent income, are often looking for less than €5,000. The financial needs of people who want to move from the informal economy, or from a low-paid job, to self-employment, also tend to require small first steps – as in the case of many women with family responsibilities, migrants, ethnic minorities and people with disabilities. This is particularly the case in the new Member States. If microfinance is to have a real impact on inclusion as well as sowing the seeds of future competitiveness, then the funding mechanisms must take these social factors into account.

#### Measuring social return

There is another dimension to the question of assessing the profitability of an investment, or the returns that are likely to be gained from supporting given business. This concerns the nature of the returns that one measures. For a purely commercial investor, the only relevant criterion is

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<sup>14</sup> European Federation of Ethical and Alternative Banks

<sup>15</sup> See the OECD report [Entrepreneurship and Local Economic Development: Programme and Policy Recommendations](#) (2003).

financial return on capital invested. But for public and social investors, the question is much broader. There may be a whole range of impacts that they wish to achieve by investing in enterprises: not only a healthy profit but for instance new jobs, the inclusion of particular disadvantaged groups, local regeneration and economic development, or environmental benefits. In order that they can take sound allocation decisions and assess the success of their actions, they need tools to measure the returns they achieve. The tools need to measure along several dimensions – not only economic but also social and environmental – and need to be sensitive to distribution – which stakeholder groups reap what return. EQUAL has pioneered techniques such as social return on investment ([SROI](#)) analysis to address this issue.

EQUAL's work on access to finance can be described under the following six headings:

- outreach & research on special groups
- financial literacy & capability
- adapting financial products
- partnerships with banks to access finance and financial services
- financial advice & debt crisis management
- value for money from social firms

### **2.3.1. Outreach & research on special groups**

#### **2.3.1.1. *The challenge***

There is a well-documented gap in the supply of conventional finance from banks to support small-scale income generating activities. The high fixed costs of managing loans of under €25,000, for example, makes them uninteresting to most financial institutions. These difficulties are compounded for people who lack collateral and experience, and for those who face discrimination in the labour market. In this context, there are certain groups, such as women, single parents, young people, ethnic minorities, and people with disabilities that face insurmountable financial barriers which prevent them from escaping from a dependence on benefits and/or the submerged economy. For many people, the perceived barriers are so high that they do not even entertain the thought that starting their own business might be an option.

Indeed, moving from the informal economy to formal self-employment often represents a substantial risk to the individual and in many cases people stand to gain little by doing so. In order to offer special groups targeted advice and finance when needed, very precise knowledge on their individual circumstances is necessary. Such knowledge requires an investment in time and resources which is generally not financially interesting to banks. Moreover, gaining the necessary trust to access such knowledge is a challenge, as those working in the submerged economy are often the most reluctant to discuss their personal circumstances.

A number of EQUAL projects have provided insights into the social reality of certain groups that employment policy usually ignores. These insights allow for a better understanding of the barriers to financial inclusion specific groups face, which can serve as a basis for developing mechanisms and products better suited to their needs. Furthermore, ensuring that relevant financial products are visible to those who could take advantage of them is also a significant challenge dealt with by several EQUAL projects.

#### **2.3.1.2. *How EQUAL has approached the issue – examples***

Given the degree of financial and social insecurity faced by many people, it can be extremely risky to take any irrevocable steps which could put at risk one or more sources of income (social security or informal work). Therefore, a precise understanding of the situation of each target group is necessary, as the wrong kind of financial product can easily result in further impoverishment. Having a presence within the communities of these groups has proven fundamental for building trust and initiating the process of financial inclusion.

##### **○ *Ethnic minorities and migrants***

EQUAL partner [ADIE](#) (**Association pour le droit à l'initiative économique**), the largest dedicated microcredit operator in western Europe, has carried out substantial outreach and

research in the deprived Parisian suburbs with a target group of whom 86% come from sub-Saharan Africa, three-quarters are women and about a third are illiterate.

The covert nature of the issue means that until now there has been very little information about the people who work in the informal economy, but the EQUAL project *Supporting Income Generating Activities among Ethnic Groups and Communities* set out to fill the gap. It was led by ADIE, with the French national employment agency (Agence Nationale pour l'Emploi – ANPE) and three other organisations as partners.

The ANPE representative Alain Mundingier says: “The project has allowed us to gain a real insight into the lives of marginalised groups, and to understand why they choose the informal economy. We plan to spread this information through our agency and study how to further adapt various laws.”

ADIE used its consolidated branch structure, its links within the communities and word-of-mouth contacts fostered by lending groups to deliver 242 loans of between €1,000 and €5,000, mainly to African women, in 2003.

This unprecedented in-depth contact with groups normally considered to be far from the labour market, let alone entrepreneurship, allowed ADIE to distinguish three types of informal activity:

- The first type of client is typified by women who are involved in traditional activities in a sporadic way, making the most of opportunities when they arise at the weekend or in the evening. In these cases the informal activities bring in less than 10% of their total income;
- A second category of people work informally for around ten hours a week to provide a small but regular complement to their other sources of income;
- Finally, for some people, informal activity has become or is close to becoming the main activity, taking up more than 80% of the time and bringing in a third of their income.

While all three groups increased their income as a result of a microloan from ADIE, only the third group, along with a few of the second group, had a strong motive for leaving the informal economy.

#### ○ ***Unemployed people in rural areas***

All the EQUAL partnerships stress the importance of good communication campaigns. Nevertheless, many argue that it can take *at least a year* to build up the relationship of trust required for lending to take off in hard-to-reach communities.

**Sierras Norte de Cordoba** (SNdC) developed a series of innovatory tools for making both finance and advice more accessible to self-employed people. Its methods have had an impact on regional employment legislation and deserve to be shared among other European projects, especially those working in rural areas.

Importantly, SNdC mobilised the grass-roots network of community organisations and front-line community workers to become the “funnel” for engaging with potential entrepreneurs at the earliest stage. It started by creating a comprehensive database of all the local organisations and agencies that had any contact with the unemployed, followed by a campaign of 213 personal meetings with the key actors. The aim was to inform them of what the EQUAL project could do and establish a permanent channel for referring on unemployed people. Altogether the project mobilised a major network of 275 local actors in this way.

These local contacts were then encouraged to organise a small meeting of between 10 and 15 unemployed people with whom they had regular contact and trust. One of the EQUAL staff animated these meetings using a specially designed presentation which looked at the main barriers and risks of setting up a business from the point of view of an unemployed person and then provided a range of possible solutions.

Sierras Norte de Córdoba designed and tested a new financial product in the form of start-up grants paid on a monthly basis to ease the transition into entrepreneurship. Potential entrepreneurs were channelled into an integrated support itinerary with financial packages specially designed according to their situation in order to help them turn their ideas into reality.

Altogether, EQUAL awarded grants to 72 projects, involving 96 previously unemployed people. At the end of the project 67 functioning firms had been created in under three years.

In terms of reaching rural communities, [The Red Accent](#) EQUAL project also highlighted the potential of the internet for potential entrepreneurs with poor access to transport who found it difficult to get to the offices of the local development agencies. Red Accent developed a system of on-line business advice covering financial products available for start-ups. A network of business advisers was put in place to answer all questions put to them within a maximum of 48 hours. During the first eight months, 290 people received on-line advice, of which 47% were women.

- ***Deprived urban areas***

[Sant Cosme Innova](#) has worked in a particularly deprived neighbourhood of Barcelona, known for its high social exclusion and unemployment rates, as well as high academic failure and crime rates and home to significant gypsy and other ethnic minority communities. The project has built up an improved understanding of the overall financial situation of the most disadvantaged groups in Sant Cosme. Indeed, a survey carried out by this EQUAL partnership revealed that 80% of those approached were interested in self-employment – but none could provide security for a loan and all required non-financial support for setting up a business.

The Sant Cosme Innova project was particularly successful in developing links between the public and private sectors as well as bringing together organisations with financial, business and social expertise and making them accessible for groups usually excluded from accessing finance.

For example, within this project, the Caixa de Catalunya provided part of the funds, [Un Sol Món](#) Foundation provides the financial expertise and a specialist organisation called FIAS offers expertise in mentoring. Through close discussions with social services and the personalised advice programme carried out by other project partners, Un Sol Món has been able to build up a better understanding of the overall financial situation of their clients with a view to proposing financial services closely matched to their situation and needs.

- ***Women***

EQUAL projects focusing on the challenges of women reveal a number of specific barriers to finance and entrepreneurial activity.

The EQUAL partnership [Accelerating Women's Enterprise \(AWE\)](#) brought together ten organisations working at the cutting edge of women's enterprise development spanning the English regions. The lead partner was Women into the Network (WIN).

Research by AWE in the UK showed that women prefer to set up business in a tentative manner, requesting significantly smaller loans than their male counterparts (as low as €650 in the case of the Power Loan Fund). Other significant barriers affecting women are the exclusion of part-time businesses and certain traditional sectors, low benefit disregards and traditional risk assessment criteria.

WIN also carried out research to assess how banking professionals perceived their male and female business clients and vice versa. As a result of the findings, as well as influencing policy, successful training interventions have been developed such as 'Developing effective working relations with your SME clients' for bankers and 'How to manage your bank manager' for women owner managers.

- ***Research and lobbying at regional, national and European level***

The EQUAL partnership [Cyfenter](#), in Wales, has been at the forefront of research into access to finance for special groups and their conclusions build on the information gained in the outreach activities mentioned above.

Their research was one of the most significant surveys of small businesses in Wales, based on over 2,000 research participants, focusing particularly on those groups least represented in

enterprise. Research included questionnaires, in-depth interviews, regional focus groups and a seminar with policy makers, research participants and business support providers to share the findings of the research and agree on recommendations to take forward. Influence at Welsh Assembly level was extensive while work at European level has taken on board a number of Cyfenter's policy recommendations.

The knowledge from ADIE's outreach and research has also provided an invaluable foundation for lobbying for legislative changes to ease the transition from the informal to the formal economy. "The government has already adopted certain of ADIE's proposals in its Law for Social Cohesion," said Gérard Sarracanie of DIES. These include exonerating people who declare themselves as micro-enterprises, under certain conditions, from up to three years' social security contributions, as well as providing them with a more progressive tax regime.

In addition to adapting financial products to the different groups, the local research and outreach described above started to uncover more widespread barriers in the institutional and framework conditions. Some of the groups below have carried out larger-scale research projects at regional, national and trans-national level and have used this information to press for legal and administrative changes that would make financial access easier for the target group.

The study carried out by the **CEFT** "[Transnational Partnership on Benchmarking Micro-lending schemes](#)" points to the huge differences in institutional contexts, target groups and the schemes included under micro-credit in just four member states (the UK, Germany, the Netherlands and the Czech Republic). In this context, clarity about the central mission of each microcredit operation and good research into the real (rather than assumed) needs of target groups is a prerequisite for success. CEFT produced some of the first benchmarks on the different institutional situations.

Following on from this, in 2005 the ESF commissioned a study on "[policy measures to promote the use of microcredit](#)". This research examined the existing bridges and barriers between the social welfare system, the employment/enterprise system and the financial system, and explored which bridges could be built and barriers demolished. The study identified six key factors determining the success of measures to promote microcredit: entrepreneurial context, policy measures, welfare bridge, legal framework, financial bridge and funding/support. It highlights, in particular, the need for an integrated view of the different systems if self-employment and micro-credit are to become effective policy tools for social inclusion. Furthermore, this study provided the foundation for the tool created by [CoPIE](#), the ESF-funded Community of Practice on Inclusive Entrepreneurship.

### **2.3.1.3. Recommendations for mainstreaming policies**

Financial support must be evidence-based, which means extending the above-mentioned approaches to people's real needs. Given the precarious situation that many groups are in, much of this research will involve personal contact and outreach by trusted groups. The advice given fulfils a series of functions:

- Understanding and controlling risk
- Promoting the financial products to the targeted hard-to-reach groups
- Supporting the build-up of financial capacity
- Continuous monitoring of the evolution of their needs

A new approach is needed to supplying small amounts of money to people whose access to traditional funding is limited. This approach must be simpler for both the provider and the user and should include:

- Improving links between business support providers and individual start-up clients;
- Developing hands-on financial mediation as a core function of services to people starting businesses;
- Building links between finance institutions and under-represented groups in ways that benefit both;
- Constantly ensuring people are aware of any financial support schemes that could be relevant to them, via a unified source of information (at regional or national level) about schemes for financial support.

Tax and legislative conditions should be adapted to facilitate start-ups. Some examples are:

- Extending unemployment benefits during the early stages of starting a business;
- Exonerating people who declare themselves as micro-enterprises, under certain conditions, from certain social security contributions;
- Offering a more progressive tax regime to those starting up micro-enterprises.

#### **2.3.1.4. Links to EQUAL case studies**

ADIE (F):

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc-adie\\_en.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc-adie_en.pdf)  
<http://www.adie.org/>

Red Accent (E):

[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-red-accent\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-red-accent_en.cfm)

Cyfenter – Wales (UK):

[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-cyfenter\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-cyfenter_en.cfm)

NEMESIS EQUAL partnership (Sierras Norte de Cordoba) (E):

<https://webgate.ec.europa.eu/equal/jsp/dpComplete.jsp?cip=ES&national=ES20040470>

Sant Cosme Innova (E)

[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-financial-ladders\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-financial-ladders_en.cfm)  
<https://webgate.ec.europa.eu/equal/jsp/dpComplete.jsp?cip=ES&national=ES467>

Un Sol Mon Foundation (E):

<http://obrasocial.caixacatalunya.com/CDA/ObraSocial/Home/0,3423,1x3y,00.html>

UK Strategic Framework For Women's Enterprise:

[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-strategic-framework\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-strategic-framework_en.cfm)

Accelerating Women's Enterprise (AWE):

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc6-awe.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc6-awe.pdf)

CoPIE, the ESF-funded Community of Practice on Inclusive Entrepreneurship:

<http://www.cop.downloadarea.eu/>

#### **2.3.1.5. Other useful links**

Basel II accord:

<http://www.bis.org/publ/bcbs107.htm>

European Federation of Ethical and Alternative Banks:

<http://www.febea.org/>

Social Return on Investment in Europe:

<http://www.sroi-europe.org/>

Micro-lending: a case for regulation - Prof. Dr. Udo Reifner:

[http://www.european-microfinance.org/data/File/Micro-lending\\_-\\_A\\_case\\_for\\_Regulation.pdf](http://www.european-microfinance.org/data/File/Micro-lending_-_A_case_for_Regulation.pdf)

European Commission: "policy measures to promote the use of microcredit":

[http://ec.europa.eu/employment\\_social/spsi/docs/social\\_inclusion/microcredit\\_part1-3\\_en.pdf](http://ec.europa.eu/employment_social/spsi/docs/social_inclusion/microcredit_part1-3_en.pdf)



### 2.3.2. Financial literacy & capability

Recent studies<sup>16</sup> show that effective approaches to financial inclusion result from a combination of three factors: a certain degree of governmental action plus commitment from both the banking and the social sectors. Although different countries require different approaches, the experience of successful initiatives allows conclusions to be drawn on effective policy approaches.

#### 2.3.2.1. The challenge

*Financial exclusion* is defined as a process whereby people encounter difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society in which they belong.<sup>17</sup>

The degree of financial exclusion among the EU population differs depending on:<sup>18</sup>

- the country: 1% or fewer people are financially excluded in Denmark, Belgium, Luxembourg, and the Netherlands, while 40% are in Poland and 48% are in Latvia;
- the product (transactional account, access to credit, savings account): at the end of 2003, 10% of adults aged 18 and over in the 15 existing EU countries, and 47% of adults in the 12 countries that were about to join, had no bank account at all.

Financial exclusion is linked to social exclusion and over-indebtedness, which makes certain groups more likely to be affected: low income groups (unemployed, lone parents, people unable to work due to disabilities etc.), migrants and ethnic minorities, elderly people and young people.

The causes that facilitate or hinder financial fall into three categories:

- **societal** factors, such as liberalisation of markets, labour market changes, money laundering rules, fiscal policy, social assistance systems, demographic changes, income inequalities;
- **supply** factors such as geographical access, risk assessment, price, product design, service delivery, complexity of choice and marketing;
- **demand** factors, such as lack of financial education, beliefs on the use of banking services, fear of loss of financial control, mistrust of providers, concerns about costs, preference for alternative providers and cultural factors, religion, and resistance to use.

The consequences of financial exclusion arise from:

- Lack of access to bank accounts may cause difficulties in cashing cheques, difficulties in paying bills, higher costs of banking services, and difficulties in taking paid employment when wages are paid by electronic transfer; furthermore it may impact on self-esteem, self-isolation, deprivation of social connections and social relationships;
- Lack of access to credit may drive borrowers to use credit with higher interest and fees, and worse terms and conditions; family budgets lack flexibility and have difficult management; informal borrowing may cause conflict with family and/or friends; borrowing from illegal lenders exposes borrowers to the risk of violence and intimidation by debt collectors;
- Lack of access to savings and asset building may cause difficulties in coping with small financial shocks or unexpected expenses, increased risk of theft and robbery if savings are kept in cash, poor incentives to save and inability to create a banking history that enables the evaluation of creditworthiness.

#### 2.3.2.2. How EQUAL has approached the issue – examples

Financial capability has a similar type of outreach problem to other services that EQUAL projects have been able to address. Much of the support needed to increase financial capability is focused on training and mentoring. Both are expensive for organisations to deliver. Building financial literacy and capability has gone alongside considerable innovation in opening up banking to excluded groups.

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<sup>16</sup> Habschick, Seidl, et al. (2007). [Survey of financial literacy schemes in the EU27](#). Evers and Jung.

<sup>17</sup> L Anderloni, B Bayot et al., 2008. [Financial services provision and prevention of financial exclusion](#).

Réseau de Financement Alternatif, for European Commission.

<sup>18</sup> Eurobarometer Survey 60.2 and Eurobarometer 2003.5

The diagram below shows how financial literacy is linked to social exclusion and sub-optimal economic performance for society as well as the individual.

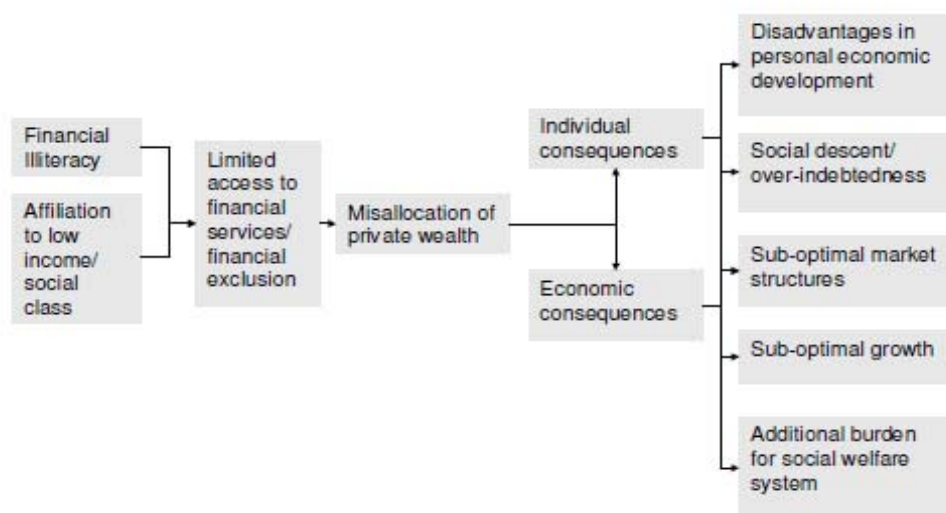


Figure 2: Risks deriving from financial illiteracy

Figure 1. Risks deriving from financial illiteracy (Evers and Jung)

#### ○ **Financial education**

In **France**, the non-profit association “Finances & Pédagogie” founded by the Caisse d’Epargne, a French banking group with around 4,700 branches in the country, works with the objective of providing financial education to a broad audience.

Finances & Pédagogie intervenes at three levels: the social sector – one of their priorities –, the education sector and the workplace, with partnerships at each of these levels. It provides free training modules lasting one or two hours with an option of further follow-up sessions to organisations working with various target groups such as disadvantaged people, care organisations and women. The association also provides chargeable training courses to enterprises, public bodies, human resource departments and social action/company benefit committees. It also offers courses which are adapted to the specific needs of start-up entrepreneurs.

This multichannel approach allows Finances & Pédagogie to deliver training to approximately 70,000 people each year, of whom 30,000 participants were from the social sector with 300 interventions during 2006. The issues highlighted in the interactive group sessions and lectures range from over-indebtedness to credit and savings, money issues in daily life, insurance and family, dealing with banks, etc.

In **Germany**, the objective of the ‘(f)in-fit’ Fit for Finance pilot project<sup>19</sup> aims at improving the financial education of migrant citizens of the Offenbach region (338,000 inhabitants) which is home to 55,400 citizens with a foreign nationality.

In Hannover a project called Ramazan Salman is tailored to the specific needs of the Russian and Turkish communities. It has been carried out by a partnership of public and private actors including the Hannover Ethno-Medical Centre, the specialist consulting company Evers & Jung and the local authority of Offenbach. The rationale behind the project is that most financial education programmes fail to reach migrant groups although they are exposed to higher degrees of financial exclusion.

<sup>19</sup> In « Survey of financial literacy in EU27 » - Evers and Jung, 2007 - p.53

The key innovation is that it is based in the recruitment and training of motivated migrants as **intercultural mediators**. They in turn educate their fellow citizens in financial matters through: mediator-led community-based group sessions with young migrants in their own environment, assessment of financial learning outcomes in community groups of young migrants educated by mediators, and involvement and sensitisation of regional financial service providers, businesses and banks.

The contents of the training include: managing within one's means; daily money matters; how to raise one's income; insurance; old-age provision; credit; and becoming self-employed. An initial pilot project evaluation showed that the mentors' motivation was strong, providing the basis for the project's effective outreach, and its being extended into other regions.

In the **UK**, the [Financial Services Authority](#) (FSA) is the regulatory body for the financial service sector and the UK's largest provider of financial education. It defines financial capability as "being able to manage money, keep track of your finances, plan ahead, choose financial products and stay informed about financial matters". It runs a comprehensive programme called *Make the Most of your Money*. This is aimed at employees in their place of work, and comprises accessible resources and seminars, delivered by experienced and specially trained professionals from the financial services industry and elsewhere. There are free printed materials to read and seminars to attend. The materials include a detailed booklet containing useful facts and information and a useful list of contacts should the employee need further help. The seminars cover areas of interest to everyone, from day-to-day money management to planning for retirement, including budgeting, borrowing, insurance, savings and investments. In the pilot stage eight employers took part and 20,000 booklets were issued. By the end of its first year of full operation the programme had reached 220,000 employees throughout the UK. By late 2007, 325,000 employees had received the booklets, more than 16,000 people had attended a seminar and around 290,000 CDs have been issued. The total number of employees reached with a *Make the Most of Your Money* product exceeds 600,000.

The FSA also has a National Strategy for Financial Capability. The other programmes that make up the strategy cover school-based learning about money, work with young adults on making sense of money, work with new parents and money advice. The FSA has also developed online tools and a communications strategy for consumers purchasing financial products.

- **Local financial counselling**

Operating at local level in East London, [Fair Finance](#) runs financial counselling alongside its personal and business lending operation. It aims to increase the confidence and competence of its clients by providing this support alongside its lending activities.

- **Targeted financial literacy programmes**

Specific programmes have also been developed for key target groups. [Let's Talk About Money](#) is an ESF-funded financial literacy programme aimed at ex-offenders. It combines a research element with development activity designed to support offenders, ex-offenders and their families in meeting their financial needs, and will help support the National Reducing Re-offending Action Plan.

- **EU web site for financial literacy**

At EU level, [Dolceta](#) is the acronym for Development of Online Consumer Education Tools for Adults. Between 2003 and 2006, universities, higher education institutes, consumer associations and other stakeholders in the Member States developed two web-based consumer education modules for adults. Supported by the Health and Consumer Protection DG (SANCO), the Dolceta website has been completed for 25 countries, and is currently being adapted to include Romania and Bulgaria. The website carries information, advice and training that gives consumers the skills they need to compare products and services on the market, to decide on purchases and to protect their rights. The information on the site is adapted to the characteristics of each country.

### 2.3.2.3. *Recommendations for mainstreaming policies*

Effective policy design and implementation should take a number of key aspects into account:

- While each country faces particular needs and priorities regarding financial exclusion, related on the one hand to the maturity, structure and institutions of the market, and on the other to the degree of social diversity, certain groups are constantly at a higher risk of financial exclusion: those on a low income, single parents, migrants and ethnic minorities, the young and the elderly;
- As information on the degree of financial exclusion is still limited in most European countries, a needs assessment is necessary before a financial inclusion policy is designed;
- While access to credit tends to be overemphasised when approaching financial exclusion, effective policies also take into account the adequate development and provision of savings products, financial education and other relevant factors;
- For effective outreach and product / service design (basic accounts, savings, credit and insurance products and financial education), partnerships among banks, social service organisation and government are recommended.

### 2.3.3. **Adapting financial products**

#### 2.3.3.1. *The challenge*

Although it cannot be said that the individual solutions being tested by EQUAL constitute global innovations in microfinance methodology, they do provide a series of lessons on how to integrate different aspects of microfinance and to adapt them to the real needs of specific target groups in quite different national and regional contexts.

EQUAL demonstrates how important it is to find out about the real (rather than assumed) financial and business needs of disadvantaged groups. A shift is required from simply selling a specific financial product to adjusting both products and services (based on solid experience of or research into the target groups) so that they genuinely help to increase income flows and the ability to repay a loan.

The products offered, and the procedures operated, by most financial institutions are often discouraging for non-traditional entrepreneurs. Talking of loans to microenterprises, the amount required may be too small to offer the prospect of reasonable profit for the lender. Borrowers may be unable to put up sufficient collateral. There is a growing consensus that interest rates are not the most important factor. Many microfinance institutions charge more than market rates in order to increase the sustainability of the funds. Some funds make a fixed service charge in order to avoid religious objections to the payment of interest.

The main focus within EQUAL has been on smaller sized loans and exploring the use of the various techniques for controlling risk (substitutes for collateral). Most loans (REGIO study,<sup>20</sup> ADIE, Prince's Trust, AWE) are around €5,000 with relatively few schemes with loans of over €15,000.

As concerns social enterprises, which are more “people-centred” than “money-centred”, the barriers are to do both with their assets and their aims. More specifically, difficulties may concern:

- the **legal form** of social enterprises, which limits the raising of equity, consequently leaving them in accounting terms with a very high gearing;
- the **aims** of the organisations that do not boil down to mere profit-making;
- the **ownership structure** of the organisations, which may be very decentralised and combine different forms of stakeholders whose effective influence may not be clear to outsiders;
- the **management and decision-making structure** which may be of democratic nature or based on complex consultation systems;

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<sup>20</sup> [\*Guide to Risk Capital Financing in Regional Policy\*](#), October 2002

- the **markets** that these organisations serve which may be low-return sectors in financial terms;
- the **income structure**, which can be a fairly complex mix of public, private and market incomes, in addition to voluntary work and other in-kind contributions, whose nature and sustainability is not always easy to understand;

Beyond these difficulties related to what social enterprises are and do, there are recurring deficiencies both on the demand and on the supply side of finance. On the demand side, these are:

- deficiencies in the **accounting and money-management systems** of social enterprises. Their data is often not well collected and their relation with the financial sector is usually at best passive;
- deficiencies in **accountability and responsibility structures**, which often obscure who takes the final decisions and who carries the responsibility;
- difficulties with **government finance**, be it in the form of grant aid that creates dependency, or in that of contractual relationships for service delivery, where full-cost recovery may be impossible;
- and as a consequence: the lack of ability (and possibly the will) of social enterprises to **plan and act in terms beyond immediate contracts** or their inability to react rapidly to emerging needs or opportunities.

Similarly on the supply side of finance, recurring deficiencies have to do with:

- **lack of knowledge if not outright apprehension** of this sector and anything “social”. Any form of “social economy” does not fit into an often simplistic view of bankers who tend to separate the social (which is for charity or the welfare state) from the economic;
- lack of **understanding of the specific risks** (or lack of risks) of the social economy sector;
- restrictive banking regulation on guarantees (e.g. the Basel 2 regulations). This need not necessarily be so, but would require banks to take a systematic approach to the sector.

#### **2.3.3.2. How EQUAL has approached the issue – examples**

##### ○ **Adopting an appropriate legal form**

The legal form in which an enterprise is incorporated can help or hinder fundraising. The Greek legal form of the KoiSPE (limited liability social co-operative), which the Synergia EQUAL partnership helped to launch, provides for corporate bodies to buy investment shares. This in effect allows local authorities and hospitals to inject working capital into new enterprises employing ex-mental hospital patients.

The law provides a legal form for an enterprise benefiting a specific target group, with specific provisions as to its organisation and means of operating. It is an outstanding example of social enterprise dedicated to a single target group. The KoiSPE has the unique feature of being an independent trading enterprise, whilst still being an official mental health unit that can benefit from the loan of National Health Service staff, premises and non-monetary resources. Workers in a KoiSPE can earn a wage without losing their disability benefit, and corporate bodies can contribute working capital by buying additional, non-voting investment shares.

Law 2716 of 1999, article 12, provides that a KoiSPE has the following characteristics:

- independent legal and tax status as a business, trading with limited liability
- retention of supervision by the Ministry of Health
- permission to carry out any economic activity
- exemption from all existing taxes except VAT
- three categories of members: people suffering from mental illness (>35%); mental health professionals (<45%); other individuals and sponsoring organisations (<20%)
- two of the seven-member board come from the user category
- users may earn a wage without losing their benefit payments
- each member buys one voting share (typically worth €175) and may also buy additional non-voting investment shares



## ○ **Banking on social capital**

The need for collateral support is seen as a major obstacle to credit. In addition to using guarantee schemes, EQUAL has demonstrated two ways for the financial sector to deal with this risk. As mentioned above, the first is to substitute a detailed knowledge of the person and the viability of the project with regard to material guarantees, with support services using various methods for simplifying and unifying the documents required for business plans and applications.

The second method is to substitute individual guarantees with group or peer pressure which has been explored by ADIE with migrant women in France. Many of the same schemes also favour "step lending" – starting with relatively small loans, which are renewed progressively after short periods.

Community development financial institutions set themselves the goal of financing people and organisations that are not primarily out to make a profit: rather, the returns come along a number of dimensions, not only economic but also social and environmental. At first sight this may seem to be a problem, which might lead to difficulties such as a 'head in the clouds' attitude and a lack of focus on profitability and generating sufficient of a surplus to allow repayment. However enterprises that are for 'more than profit' have compensating advantages – the level of principle and personal commitment and the close trust relations that characterise social enterprises can in fact make them very good risks.

The social capital they possess can be 'banked on' in two ways:

- Using human collateral: In order to enable investment in enterprises by people without their own capital, loan funds must find ways to reduce the risk of default. These often repose on the social capital, the trust between individuals that exists in social enterprises. Loan funds for social enterprises such as **ICOF** (UK) succeed with low failure rates even at national level, despite demanding no physical security for their loans (they take a fixed and floating debenture but no personal guarantees). Factors in their successful record may include the monitoring method, which is close, personal and in harmony with the business's social objectives, and the deterrent effect that loss of reputation can have within a defined movement and business community.
- Guarantee communities: Networking effects among a community of social investors can also be turned to good account: **Triodos** Bank asks for a group guarantee: each borrower should assemble a community of 100 supporters, each of whom will guarantee 1/100<sup>th</sup> of the loan.

## ○ **Careful design of microcredit products**

Europe's most experienced microlender, **ADIE** (France), uses microcredit as a tool to enable informal traders to join the official economy. It found that it was principally those people who were spending over four-fifths of their time on informal economic activity, and earning over a third of their income in this way, who were strongly motivated to join the formal sector. The project therefore introduced three innovations that proved very successful with this group of clients:

- using **word-of-mouth** channels within ethnic networks in order to reach out into minority communities;
- developing a tailor-made blend of **step and peer lending** techniques: loans are made to peer groups of three people, and usually start very small, at around €1,000, but once they are repaid they can increase in small steps up to €5,000;
- designing a **support package** involving both individual and group modules on financial capacity building, which cover household budget management, the risks of consumer loans, calculating income and expenditure, stock and cash flow management and so on. The package also includes games on stocks and margins and how to manage one's personal budget. Additional modules were designed to help the clients to plan their business and assess the risks and benefits of becoming self-employed or registering a business.

## ○ **Combining multiple revenue streams to create multiple added value**

As far as social enterprises go, use should be made of one of their principal distinguishing features, which is that they combine multiple types of resources to create multiple outputs. For



instance they might receive not only income earned from sales to individuals or companies, but also fees for contracts with public authorities, grant income for providing public benefits, plus donations of money or facilities and voluntary time. Corresponding to this they might be producing: (a) goods and services for personal consumption, for instance fair trade coffee or elderly care; (b) labour market integration services recompensed by a wage subsidy; and (c) other services, for instance waste recycling, paid for under a contract with the local authority. They are working with a 'triple bottom' line, creating added value not only financially but also socially and environmentally. This has been conceptualised as the 'cloverleaf model' of financing. For example a neighbourhood services company such as Buurtinitiatieven Kuurne in Flanders, part of the Werk.Waardig EQUAL project, mixes four classes of revenue:

- **Employment:** e.g. wage subsidy for hiring risk groups such as LTU, compensation for lower productivity and/or extra guidance
- **Client / user charges** (plus sometimes consumer subsidy through service vouchers)
- **Other policies:** e.g. childcare, home care, tourism, mobility, culture
- **Local authority:** e.g. social tender for community added value, cohesion, community development, poverty

Furniture recycling social firms such as Bulky Bobs in Liverpool also makes a profit by combining four revenue streams: from the collection of bulky waste; from the reduction in landfill; from the vocation integration of disadvantaged people; and from the sale of renovated furniture.

#### ○ **Complementary currencies**

When global economic conditions restrict the supply of credit, and among poor communities, the official currency is, by definition, in short supply. Nevertheless people still have skills and possessions and skills that they wish to exchange. People's welfare can be increased by injecting liquidity into the local economy – by introducing an additional means of exchange. This may be in the form of a barter scheme or a local complementary currency, often referred to as a local exchange trading scheme or LETS. By providing a means of exchange, such local currencies stimulate the circulation of wealth, to the benefit of both consumers and producers – particularly micro and small businesses, which depend on local markets.

The SOL project, promoted by the Chèque Déjeuner co-operative as part of EQUAL, is piloting an alternative currency that goes further than most such schemes by cleverly combining three roles: loyalty card, local barter scheme and service voucher. The card is operating in seven French regions where 18,000 users are able to get a bonus on their purchases, and swap services with their neighbours. The SOL also offers local authorities a way to target their services to those who need them most.

The SOL combines three different types of money:

- The Co-operation SOL (*SOL Coopération*) acts like a loyalty card and is calculated in euros;
- The Commitment SOL (*SOL engagement*) aims to make voluntary work visible and accountable, and is calculated in time;
- The Dedicated SOL (*SOL affecté*) is a voucher given by the public sector to specific target groups, allowing them to access specific goods or services.

Not only is the project innovative in using chip cards, the internet and mobile phones, but it also aims to introduce a new concept of wealth not based exclusively on money.

#### **2.3.3.3. Recommendations for mainstreaming policies**

Microcredit can prove successful in increasing the incomes of marginal traders. However there is still a high threshold that must be overcome before informal traders earn enough to be able to join the formal economy. If the objective is to reduce the informal economy, ways to make the transition from the informal to the formal economy less onerous, both bureaucratically and financially, should be found.

#### **2.3.3.4. Links to EQUAL case studies**

Accelerating Women's Enterprise (AWE):

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc6-awe.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc6-awe.pdf)

Synergia (GR):

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc6-synergia.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc6-synergia.pdf)

ADIE (F):

[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-07-proxy\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-07-proxy_en.cfm)

Werk.Waardig (B):

[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-07-werkwaardig\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-07-werkwaardig_en.cfm)

SOL (F) :

[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-07-sol\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-07-sol_en.cfm)

### **2.3.3.5. Other useful links**

Finances et pédagogie (F):

<http://www.finances-pedagogie.fr/>

Survey of financial literacy in EU27 - Evers and Jung, 2007

[http://ec.europa.eu/internal\\_market/finservices-retail/docs/capability/report\\_survey\\_en.pdf](http://ec.europa.eu/internal_market/finservices-retail/docs/capability/report_survey_en.pdf)

British Financial Services Authority:

<http://www.fsa.gov.uk/>

Fair Finance (UK):

<http://www.fairfinance.org.uk/>

Let's Talk about Money – Your Money Guide (UK):

<http://www.letstalkaboutmoney.org.uk/>

Co-operative & Community Finance (UK):

<http://www.icof.co.uk/>

## **2.3.4. Partnerships with banks to access finance and financial services**

### **2.3.4.1. The challenge**

Although our societies appear to be awash with credit, certain groups have particular difficulties in accessing finance and financial services. For the self-employed and micro-enterprises this can be a considerable barrier.

Banks are both the solution to this form of financial exclusion and sometimes its cause. Financial exclusion takes place where people encounter difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society in which they belong.<sup>21</sup> Partnerships with banks have developed to find ways of improving access to finance.

### **2.3.4.2. How EQUAL has approached the issue – examples**

#### **o Partnerships with banks**

Partnerships with banks have been a major way of promoting access to finance. These partnerships are formed for different reasons and in particular:

- To help potential business borrowers to access bank credit by providing business support and ways of minimising risk through 'packaging' the loan (examples Association pour le Droit à l'Initiative Economique (ADIE) in France, Associação Nacional de Direito ao Crédito (ANDC) in Portugal;

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<sup>21</sup> L.Anderloni, B.Bayot, et al. 2008

- To help the banks to adapt their products to better meet the needs of target groups, for example women borrowers;
- To work together with the banks to provide new services – such as financial literacy and debt crisis advice, delivered either by independent NGOs or by the banks themselves.

These partnerships have normally been developed as a result of sustained efforts by NGOs at national level including with microfinance organisations and other organisations concerned with the issue.

Successful approaches to access to finance have tended to involve complex partnerships and the involvement of three parties: the government, banks, and business support and microfinance organisations. Their respective roles are as follows:

- *Governments and regulators*: developing responsible lending legislation, detecting and deterring illegal lending, commissioning studies on financial inclusion, putting pressure on banks to develop new products, providing financial services directly, providing funding;
- *Banking sector and microfinance providers*: developing adapted financial services through the provision of basic bank accounts, increasing access to affordable credit, saving and insurance products;
- *Community-based organisations in partnership with banking sector and/or public authorities*: outreach, providing financial education and advice to financially excluded groups, following up specific financial products (e.g. microcredit), raising awareness of the financial needs of certain groups.

In the United States the Community Reinvestment Acts (CRA), which were reformed in 1995, have played a key role in stimulating the partnership between banks and community development finance institutions. The CRA was originally introduced in an attempt to combat mortgage red-lining in major cities – a practice by which banks would not lend to minority households. Under the act banks are obliged to disclose their lending in disadvantaged neighbourhoods and are also encouraged to play a proactive role in helping to develop community-based financial services. Chicago-based Shorebank is a model institution that has developed with support from CRA and the local banks. It lends for house purchase and maintenance, as well as for personal and business purposes.

#### ○ **Basic bank accounts**

In some countries (Netherlands, UK) commercial banks, under pressure from public authorities and social sector organisations, have developed simple, low-cost transaction bank accounts to meet the needs of people on low and unstable incomes. In others (Norway, France, and Belgium) the right to a basic bank account is guaranteed by law.

In the Netherlands, the development of the basic bank account was stimulated by the Salvation Army, which pushed for an account that could be offered to the people they assist. Following negotiations with banks and the Finance Ministry, this became a wider national initiative. Similarly in Belgium Dexia Bank, in collaboration with public authorities, has developed a bank account for the Public Centre of Social Action of Belgian Municipalities (CPAS) to enable local authorities to help disadvantaged people to access full range of transaction banking services and an overdraft facility of €20. The annual charge for these accounts is paid by CPAS, and nearly 51,000 have been opened. In Poland, work undertaken by the Polish Banking Association (ZBP) promotes non-cash payment methods including mobile telephony and bill payment at supermarkets. In the UK the major banks launched a range of basic bank accounts for bill payments and direct debits.

#### ○ **Access to credit**

In Spain, Obra Social de Caixa Catalunya, Spain's seventh largest financial institution, in partnership with Fundació Un Sol Món, has led a programme to deliver microcredits to entrepreneurs without access to mainstream banking and lacking conventional collateral. During 2001-2008 it granted more than 1,500 loans. In Sant Cosme, Barcelona, the project has packaged its loans so that women and members of ethnic minorities have been targeted.

In Poland, the Związek Banków Polskich (ZBP) has promoted loan guarantee funds and micro-finance institutions to support micro-enterprises. Poland also has the largest membership of

credit unions in the EU and these organisations provide a wide range of financial services including saving and borrowing facilities and also insurance.

In Germany, the Deutsches Mikrofinanz Institut (DMI) is the direct result of the experience of a number of EQUAL Development Partnerships and particularly of the National Thematic Group they set up on "finance for start-ups". The DMI aims to build on existing projects in order to develop national solutions to what is generally considered to be an important financial gap at the lower end of the financial market for start-ups.

Unemployed people are responsible for just over half of business start-ups in Germany. Based on their own experience and an analysis of the situation in other European countries, EQUAL projects argued that there was still an unmet need for smaller, more gradual financial instruments closely linked to specially adapted business support. As a result 22 microfinance institutions have sprung up in Germany over the last few years with the financial and technical support of Deutsche Bank-Stiftung and GLS Gemeinschaftsbank. However, many of these initiatives are extremely small (less than a 100 loans a year) and have great difficulty in achieving sustainability. The DMI was set up in order to respond to this challenge.

At EU level the European Microfinance Network gathers most of the European microfinance players, be they microfinance institutions, foundations, consulting companies or others. The EU has launched a Microfinance Initiative called JASMINE, to stimulate work between banks and the microfinance sector. It will start active operation in 2009. The initiative has three main areas of interest

- it invites Member States to adapt their national institutional, legal and commercial frameworks to promote a more favourable environment for the development of microcredit. This should make changes to their National Reform Programmes under the Lisbon strategy for jobs and growth, in order to set themselves meaningful targets in this field.
- setting up a new European-level facility with staff to provide expertise and support for the development of non-bank microfinance institutions in Member States. This would equip microfinancers to offer not just loans, but a service mentoring the borrower to help develop and ensure the success of their business. This kind of accompaniment is the key to the success of microcredit operations.
- setting up a microfund in the new facility to find more capital for microcredit providers. This would help finance the loan activities of microfinance institutions which can also expect to draw in contributions from a range of investors and donors. The EIB<sup>22</sup> and the EIF<sup>23</sup> have expressed interest in running this facility.

The new initiative will build on pilot initiatives in which the EIF has supported microfinance, for example by working with the Prince's Trust in the UK and ADIE in France. In the United States and developing countries there has been a growing role for private banks as well as development banks to securitize and refinance the loan books of microfinance institutions thereby freeing them to grow and reach more people.

There appears to be considerable potential for the ESF to co-ordinate with the other funding instruments to provide training and build capacity in microfinance institutions, to provide accompanying measures such as business support and coaching to entrepreneurs and to raise awareness in Managing Authorities of the role of microfinance as a pro-enterprise policy measure.

#### **2.3.4.3. Recommendations for mainstreaming policies**

Developing initiatives with banks is a complex business. Organisations such as the European Microfinance Network can help local organisations by organising exchange visits and also publishes good practice in many fields of access to finance. In the Member States organisations such as banking federations have been a useful intermediaries.

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<sup>22</sup> European Investment Bank

<sup>23</sup> European Investment Fund

The US experience of the Community Reinvestment Act suggests that regulation over the disclosure of bank lending could lead to major advances in co-operation between banks and other organisations to combat financial exclusion. Enabling legislation such as the CRA could radically stimulate the corporate social responsibility work that banks already do – especially their work with microfinance institutions.

EQUAL has demonstrated that there are many opportunities for the ESF to participate in funding access to finance initiatives.

Small microfinance and advice projects fragment the market and find it hard to grow to scale. Donors and banks need to develop funding strategies for identifying and growing microfinance organisations of a significant size in partnership with banks to ensure that potential is maximised.

The EU microfinance initiative offers a major opportunity to grow microfinance partnerships with banks and to scale. This will require understanding of models as well as discipline and concentration from the funders to ensure that the market does not develop in a fragmented way. For the future the refinancing potential of banks will be key to growing access to finance for target groups.

#### **2.3.4.4. *Links to EQUAL case studies***

ADIE (F):

[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-07-proxy\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-07-proxy_en.cfm)

San Cosme Innova (E):

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc-santcosme.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc-santcosme.pdf)

#### **2.3.4.5. *Other useful links***

Community Reinvestment Act (CRA):

<http://www.ffiec.gov/cra>

Community Reinvestment Act:

<http://www.wikipreneurship.eu/index.php5?title=CRA>

### **2.3.5. Financial advice & debt crisis management**

#### **2.3.5.1. *The challenge***

Recent events in the US sub-prime market and in Western countries' mortgage markets more generally have shown that many of our societies are carrying an unsustainable amount of debt. For the poor and socially excluded debt can affect health, wellbeing and their economic future. Debt is often an extreme form of poverty and can be both a result of social exclusion and its cause. Many people avoid dealing with financial problems until they have become critical and often at this point the situation is too far advanced to fix.

Moreover, several sectors of the economy, such as agriculture, small trade and handicrafts, apply outdated business support models based on long-term credit, which enables them to make capital investments in expensive production tools, but affects their capacity to adapt to changing economic contexts in the long run. In France, the average debt in the farming sector in 2004 rose to €103,000 per holding. Long-term loans increased by 4%, and short-term loans represent one-third of total debts with an average of €35,900.<sup>24</sup>

This section deals with debt counselling for micro-enterprise and the self-employed. For these groups a debt crisis can frequently cause the business to fail, which directly impacts on unemployment and may in turn lead to personal bankruptcy. Poor financial management leading to debt is one of the major causes of the failure of businesses, around half of which fail in their

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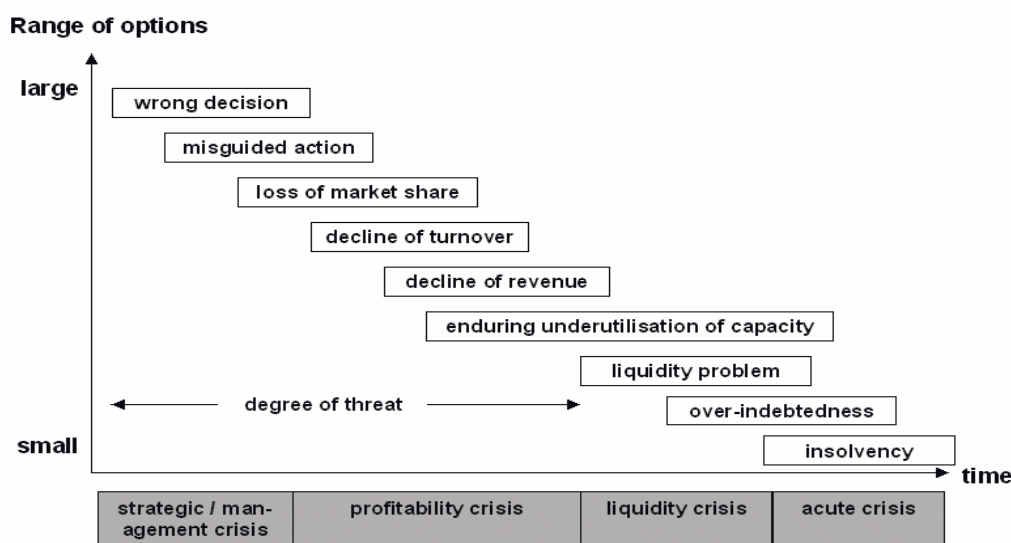
<sup>24</sup> [BIMAGRI HS n°18](#) janvier 2006 – Ministère de l'Agriculture (F)

first five years. Preventing businesses failing for financial reasons is one of the best ways of increasing the survival rate of micro-enterprise and the self-employed.

Because of this close link to employment and unemployment, debt crisis advice for businesses and particularly for the self-employed is a natural territory for engagement by the European Social Fund although to date there have been few actions piloted under EQUAL or mainstream ESF programmes.

Debt crisis counselling is closely related to financial inclusion and financial literacy, which are dealt with in other sections of this compendium.

Figure 1 below illustrates how the range of options available to the business changes as time moves on. At the outset the consequences of a wrong decision or misguided action are relatively minor and there is still room for corrective action. Later, as the business moves into acute crisis, what started out as a mistake leading to loss of turnover turns into liquidity problem and over-indebtedness. Failure to act in the end leads to insolvency.



**Figure 2. The slippery slope to debt (source Evers and Jung)**

#### **2.3.5.2. Case studies of debt crisis advice services**

Firmenhilfe ('Firm Help') is an inbound telephone service for small and micro-enterprises in Hamburg. It focuses on entrepreneurs who find themselves in a difficult economic situation. This specific target group is widely ignored by consultants and other agencies who tend to concentrate on bigger units. Most start-up support focuses on the pre-start phase. Existing SMEs and micro-enterprises are often referred to business consultants who are very expensive (and therefore in many cases unaffordable) and often lack the specialised know-how needed to support micro enterprises.

Business failure has a profound effect on every market economy. In Germany, the net rate of growth in the number of enterprises (the difference between the number of start-ups and failed enterprises) shows a declining trend. Various research and policy papers make clear that sole traders and small enterprises with less than 10 employees are especially vulnerable to failure because they:

- often have profound technical and professional knowledge but lack the necessary commercial expertise and management skills
- have little in the way of financial reserves to overcome difficulties
- lack market power



- have limited access to qualified advice and information services

Firmenhilfe aims to provide clients with hands-on advice rather than to instruct callers using complex and over-demanding methods and instruments designed for bigger companies. Furthermore Firmenhilfe's consultants are trained to use an analytical approach in order to deal with the customers' problems instead of getting caught up by them. This method keeps the consultant from giving an overwhelming and therefore confusing all-in-one-solution. Instead it offers the client step-by-step solutions and accompanies clients on their way out of the crisis.

To meet these goals, the project took parts of an existing successful scheme, Birmingham Business Debtline and refined them for the German context. By late 2008 it had given guidance to more than 2000 clients from the Hamburg area. The project is co-financed by the ESF.

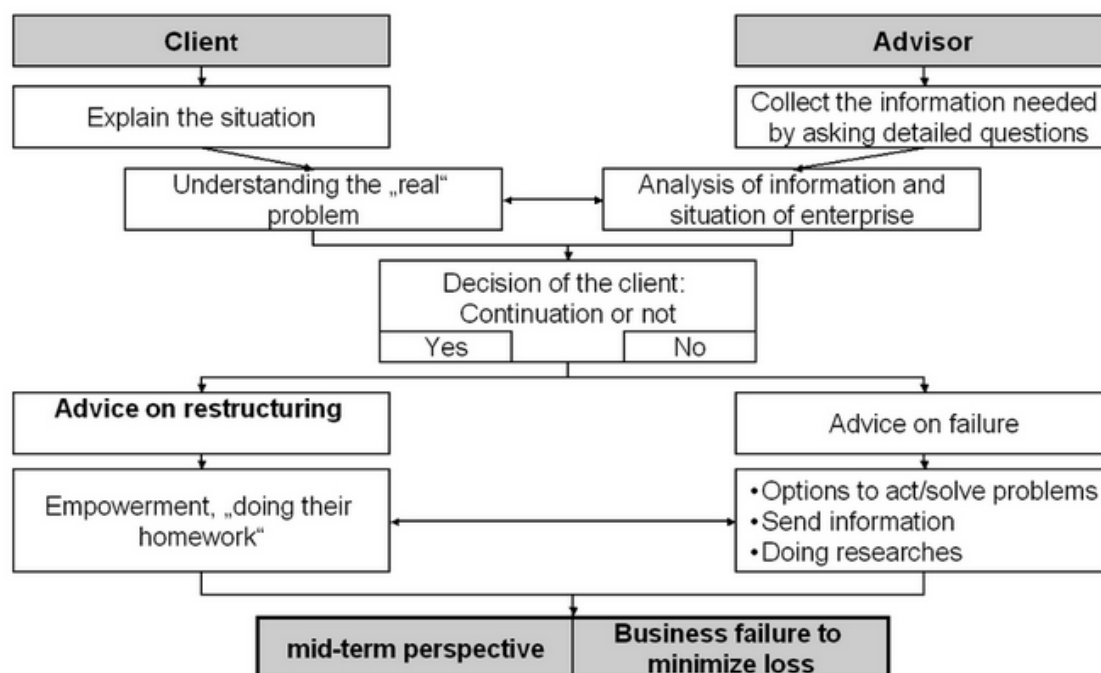


Figure 3. Firmenhilfe action tree (source Evers and Jung)

Unternehmer in Not ('Entrepreneur in Need') in Austria consists of an online platform that enables micro and small entrepreneurs to assess the health of their business, and provides them with free up-to-date information. The project is run without any additional financial resources. The online platform contains a wide range of material including articles, interviews and testimonials, book references, weblinks and a glossary. The website has information channels structured around preventing and coping with financial crisis, legal aspects such as insolvency law, and financial aspects such as managing cash flow, loans, and creditors. There is also a self-assessment toolkit and each month a newsletter is sent out. The project receives about 12,000 visits per month.

Business Debtline is a UK service supported by a wide range of banks. It provides telephone support to businesses with financial problems. It works closely with government, the private sector, and the UK's leading money advice agencies to increase the availability of money advice, improve its quality, and improve the efficiency and effectiveness of how advice is provided. The Debtline is run as part of the Money Advice Trust which runs a range of other services that include the national Debtline for citizens with debt problems, training of advisers, research and policy and acting as a catalyst for improving efficiency and effectiveness within the debt advice sector.

In France, ADIE set up a crisis intervention service as part of the U-Turn project, supported under Article 6 of the European Social Fund. In 2008 ADIE had 17,000 clients on its loan books so as a major provider of microfinance it has a direct interest in making sure that its clients obtain services before they go bust. Because of its existing advice and mentoring activities ADIE has built its new crisis intervention service into the existing structure of support.

The service it developed was telephone-based. It provided a unique phone number for ADIE clients who were charged only for the local cost of the call. Experience showed that discussion with an adviser could solve the majority of requests for support. The support complemented ADIE's other business support services in each region, including face-to-face interviews, training and services. ADIE also worked to convert their approach into a scalable system for managing calls so that the problem could be analysed, solutions identified and an action plan developed. Despite working on the phone the adviser needs to find ways of creating an atmosphere of proximity, trust and credibility so that the caller is comfortable about sharing information. Two staff developed the project working with ten volunteers who were either retired former entrepreneurs and employees or students.

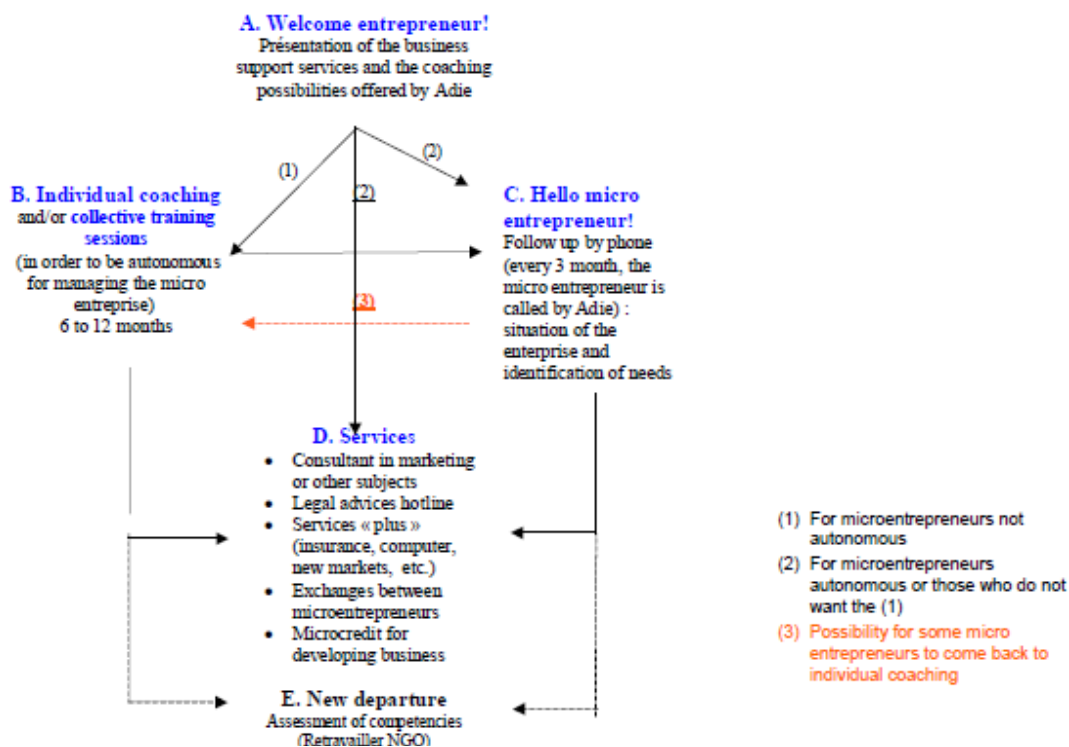


Figure 4. ADIE enterprise support services

### 2.3.5.3. Recommendations for mainstreaming policies

- Establish a self-help approach and a solution-focused methodology and encourage the clients to work their own way out of the problems that they are in;
- Ensure that the support service has low entry barriers – it needs to be free to the user or very cheap;
- Banks may be prepared to contribute finance (as in the UK), and so may economic ministries or development agencies. In Germany, debt crisis support has been demonstrated as eligible for European Social Fund support;
- Provide platforms for exchange and learning among the clients;
- Recruit and train qualified and dedicated advisers;
- Ensure client data is well documented;
- Promote the service via the client / user – they are the best sales force.

### 2.3.5.4. Notes and references

Unternehmer in Not (A):  
<http://www.unternehmer-in-not.at/>

Business Debtline (UK):  
<http://www.bdl.org.uk/>

Firmenhilfe Hamburg (D):  
<http://www.firmenhilfe.org/ceemes/>  
<http://www.wikipreneurship.eu/index.php5?title=Firmenhilfe>

ADIE (F):  
[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-07-proxy\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-07-proxy_en.cfm)

U-Turn conference, part of SOS Enterprise, an EU-wide project on business debt advice (September 2007):  
[http://www.sos-enterprise.eu/ceemes/page/show/u\\_turn\\_conference](http://www.sos-enterprise.eu/ceemes/page/show/u_turn_conference)

Evers and Jung 2007 Handbook on debt crisis services:  
<http://www.sos-enterprise.eu/sos/Handbook%20U-Turn%20engl.pdf>

### **2.3.6. Value for money from social firms**

#### **2.3.6.1. The challenge**

The objective set by the Lisbon agenda – to raise the workforce participation rate to 70% of the population of working age, by 2010 – requires new ways to be found to bring those fractions of the population that have proved most difficult to activate into economically productive activity. This contributes to the simplified objectives set out in the mid-term review of the strategy in 2004, to create stronger, lasting growth and more and better jobs.

A second consideration is the need to preserve social cohesion and support for the EU among the population, in the light of stresses caused by increased flows of economic migrants since the extension of the EU in 2004 and by social unrest in peripheral housing estates, for instance in cities in France and Britain. Policy-makers across Europe are looking urgently for solutions to these problems.

This gives a renewed importance to the call for an active labour market policy that will reduce exclusion, which forms part of the Lisbon strategy. This is expressed in the *Integrated Guidelines for Growth and Jobs (2005-2008)*,<sup>25</sup> which state that: “Special attention should be paid to promoting the inclusion of disadvantaged people in the labour market, including through the expansion of social services and the social economy.” Integrated guideline no. 18 – “Ensure inclusive labour markets for job-seekers and disadvantaged people” – provides for “active and preventive labour market measures including ... provision of social services necessary to support the labour market inclusion of disadvantaged people.”

Social enterprises distinguish themselves by carrying out economic activity, but for social goals. This means that they compete in the market place and trade for profit, but they do not use this profit purely to reward financial investors. Instead, they use their trading surplus principally to further their social objectives. Social enterprises make up around 5% of the economic activity of Europe's Member States.<sup>26</sup> Whilst they may have a number of social and environmental objectives, a significant sub-section are active in the inclusion of disadvantaged people through work, and these are known as ‘work integration social enterprises’ (WISEs) or ‘social firms’. They cater for a wide variety of disadvantaged groups, and while some act as temporary ‘springboards’ into permanent employment elsewhere, others themselves offer permanent sheltered jobs for more seriously excluded people. They mobilise several different streams of revenue for this purpose: along with the sale of goods and services, they might use public subsidies for integration, grants for other purposes and/or volunteer time.

The way social enterprises can simultaneously achieve multiple objectives with multiple types of resources, as much work within EQUAL has shown, allows them to produce outstanding results

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<sup>25</sup> COM (2005) 141 final, 12 April 2005

<sup>26</sup> In 2004, the [Johns Hopkins Comparative Non-Profit Sector project](#), covering 36 countries worldwide but using a more restrictive definition including non-profit distribution, evaluated employment to be 4.4% of the workforce.

in many areas of employment and social inclusion. When serious attempts to evaluate the returns gained from investment in social enterprise, the results are often massively positive. However these benefits all too often go unmeasured and unrecognised. A particular problem is that public policy is often delivered through parallel but separate systems that do not talk to each other. Benefits and savings that accrue to different departments or different tiers of government are often written off as by-products and disregarded.

Experience from many EU countries shows that social firms are an efficient and cost-effective way of integrating disadvantaged groups into the workforce. There are a number of different approaches in different countries, and at the same time a process of mutual learning is under way.

#### **2.3.6.2. How EQUAL has approached the issue – examples**

Each different group of people targeted by social policy produces costs in a range of departmental budgets at a range of geographical levels. A simple example is that lack of adaptations for elderly people such as handrails inside and outside the home leads to more falls by those elderly. The cost of these falls is carried not by municipalities or social services at local level but by hospitals and the health service, out of a different budget. In more complex situations (such as the drug addict case described below) up to five different government departments at a range of geographical levels may be affected. Essentially government accounting is vertical (by departments) and one-dimensional – whereas real-life problems are tackled at multiple levels and in three dimensions. As a result governments waste money and fail to find the most cost effective solutions. EQUAL projects have turned this position around by developing new systems of measurement and accounting that measure the whole effect.

##### **o Social economic reporting in Sweden**

The cost-effectiveness of social firms in creating jobs for people furthest from the labour market is dramatically demonstrated by the **social-economic reporting** method developed in Sweden and piloted with some EQUAL projects under the guidance of the EQUAL National Thematic Network *Social Entrepreneurship – a Way to the Labour Market*. This shows truly remarkable results.<sup>27</sup>

To calculate what the costs and benefits of a given set of interventions are, the method maps all the different actions that are taken in dealing with a drug addict. In the case of drug rehabilitation, this results in a map of no less than 130 factors, grouped into five main chains concerning income, treatment, crime, housing and children. The 'crime' chain is one of the most interesting, and it is remarkable for its extreme inefficiency. For example fences pay only a small proportion of the value of stolen goods, so if an addict needs to find 1,000 kronor for his fix he has to steal 4,000 kronor's worth of goods. Taking property damage into account the cost rises to 16,000 kronor. Each factor is then costed and that cost is collected together and calculated for a single addict. The cost is colossal: each male heroin addict costs Swedish society €219,000 per year, while each male alcoholic costs €70,000. In effect each of Sweden's 60,000 drug addicts requires the employment of two to three people who are publicly funded to deal with the chaos of problems that an addict creates around them.

[Basta](#) near Stockholm and [Vägen ut!](#) in Göteborg were the first two EQUAL pilots to use the method during 2005. Basta Arbetskooperativ (part of the *Empowerment for the Future* partnership) employs 65 people, three-quarters of them men, whose preferred drug is amphetamines, while Vägen ut! ('Way out! – From prison to social co-operative') employs 19 people, the majority women, who had been using variously amphetamines, alcohol and heroin. By calculating the various savings that society makes owing to the co-op activity, the co-ops turn in an astonishing social return of as much as €110,000 per employee per year. In the case of drugs rehabilitation through social co-operatives, this investment makes a positive social return after the first two months. However it is interesting to note that whereas the bulk of the

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<sup>27</sup> Summary: [From the Public Perspective. An introduction to Socioeconomic Reports](#), 16 pp - Full report: [From the Public Perspective. A summary of reports on Socioeconomic Reports for Vägen Ut! kooperativen and Basta Arbetskooperativ](#), 48 pp. – both by Ingvar Nilsson and Anders Wadeskog / SEEAB, NUTEK, Stockholm, 2006.

expenditure is made at local level, the lion's share of the savings goes to the national tier of government.

Social co-operatives working with addicts help them to stay away from drugs and crime, and thus generate sizeable savings, both for public services – particularly the judicial system – and for insurers – and therefore householders. Basta has been going for more than 10 years, and many of its members have stayed off drugs for five years or more. In their case, the return to society from Basta's action rises to 3,150% – or a massive thirty-fold return on the original investment. For Basta, the calculation is as follows, making the conservative assumption that members stay at the co-op for an average of three years. The municipality pays out €31,500 per person but reaps average gains of €78,000, which gives them a 247% return on investment. Looked at from the point of view of society as a whole, the investment of €31,500 results in revenue of €595,000 – a return of no less than 1,890%. It should be noted that while the costs of rehabilitation fall largely on local government, the savings accrue mainly to central government: a stay at Basta breaks even for the municipality after 15 months, but for society as a whole after only 2 months. The same holds true for other target groups: studies on the KOS and Briggen social co-operatives show that activating a person on long-term sickness benefit produces an annual saving of €37,000 for men and €26,000 for women, with the majority accruing to the län or county level.

- ***Finland: social added value working group***

In Finland, the [Social Value Added Working Group](#) of the EQUAL National Thematic Network for Social Entrepreneurship is developing the 'SYTA method' (SYTA-malli®) of assessing the economic and the content-related outcomes of a social enterprise's activities. A tool has been produced, formatted as a spreadsheet application in which each parameter has been made explicit – in other words factors such as tax rates can easily be adapted to suit differing national contexts. Its economic side involves calculating the returns to the state, the municipality and the employees, then comparing these with what would otherwise have been the case. For example a study was made in 1998 of a social firm that employs 33 disabled people, and receives a subsidy of €297,000 a year. It already pays taxes in excess of this subsidy. However taking into account the savings in benefits it generates, its true social benefit is €140,000 per year.

The calculation is as follows: of the 33 employees, 24 are paid a wage, 6 a combination of wage and pension, and 3 a wage plus a wage subsidy. It receives a subsidy of €297,000, but pays €391,000 in tax and national insurance, resulting in a net benefit to society of €95,000. However this apparent social benefit is increased once one also takes account of the costs that would have been incurred if the workplace had not existed. It is estimated that 20 of the employees would be on unemployment benefit, 4 working on the open market and 3 working but receiving a wage subsidy. This would result in public spending of €121,000, of which €75,600 would flow back to the state in taxes and social insurance, leaving a net cost of €45,400. Adding these two together, the social firm generates a social benefit of €140,000, equivalent to €4,300 per disabled employee per year.

- ***Measuring the social return on Investment***

**Social return on investment (SROI)** is a technique for capturing the total financial impact that public investment creates. The short length of electoral mandate often makes it difficult for managers of public programmes to think in terms of investment. But SROI makes this easy by relating the returns to the investment in its calculations. It allows values and benefits that are often overlooked to be brought within the financial calculus.

The process of calculating the social return on investment starts with carefully considering who the key stakeholders are and what the indicators are of success. This process results in an 'impact map' which shows how its activity converts inputs such as funding into impacts of various types for various stakeholders. These impacts can then be monetised, and presented in the form of multi-year projections. From this one can use standard accounting tools to calculate a discounted cash flow, and the net present value (NPV) of the investment. The credibility of the figure one arrives at will depend on whether you take into account factors such as attribution (was the result really due to your intervention and not another one?), deadweight (would it have happened anyway?), displacement or substitution (where a benefit is achieved, but results in a



cost to someone else outside your project), the sensitivity of your assumptions, the discount ratio and the time horizon.

During EQUAL, use of the technique has grown steadily. Three British regions as well as the Dutch EQUAL programme are using this tool, with the important effect of lengthening planning horizons.<sup>28</sup> Social Firms UK, which has carried out a number of SROI analyses on social enterprises, reports returns on investment of between twofold and eightfold – per year.<sup>29</sup>

- **MillRace IT** employs people recovering from mental illness in the recycling of computers, and produces a return to society of €7.4 each year for every euro invested.
- **Pack-IT**, a distribution firm half of whose 16 employees have a learning disability, shows an SROI of 1.9:1. The benefits include reduced welfare spending and increased local purchasing.
- **Six Mary's Place** guest house, a social firm in Edinburgh that employs people with mental health problems, shows average savings of €37,000 a year per head – a sixfold social return.<sup>30</sup>

These come about because their beneficiaries are working rather than being inactive, which results in increased tax revenue as well as reduced public spending on social security benefits and healthcare. According to the UK government: "Adults with mental health problems are one of the most excluded groups in society. Although many want to work, fewer than a quarter actually do. ... Mental health problems are estimated to cost the country over £77 billion (€100 bn) a year through the costs of care, economic losses and premature death."<sup>31</sup>

Another use of SROI in the UK has been by the Local Economic Growth Initiative (LEGI), a €450 million programme to benefit residents in deprived areas by stimulating enterprise. An 18-month research programme called *Measuring What Matters* in St Helens, Merseyside found that current approaches to measurement focus too much on outputs and processes, and on funded inputs as drivers of change. These approaches lacked benchmarks and misunderstand impacts, so they measure the wrong things. A more holistic approach might take into account other factors that impact on business, such as transport links, perceptions of the area, crime and changes in informal activity. The study of the €19m St Helens LEGI scheme, shows an 11-fold social return on investment over three years. The intervention was well targeted as the stakeholder group who gained most were the economically inactive, who garnered 44% of the benefits.<sup>32</sup>

EQUAL has also supported to use of the SROI method in Austria, where the Chance B Hausmeisters project was found to generate a public return of nearly €200,000.<sup>33</sup>

#### ○ ***Businesses can value all their impacts***

Many variations on this theme are bubbling up across Europe as part of EQUAL's work. **Social auditing** or **social accounting** is a technique that has been pioneered in the social economy but can be used by businesses of all types as well as the public sector.

Social accounting is a technique that has been widely used under EQUAL in the rural areas of northern Europe,<sup>34</sup> for instance in Scotland<sup>35</sup> and Finland.<sup>36</sup> It relies on identifying who the organisation's key stakeholders are, and finding out from them whether they are obtaining the

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<sup>28</sup> See [Social return on investment. A guide to SROI analysis](#), Peter Scholten, Jeremy Nicholls, Sara Olsen and Brett Galimidi, 132 pp, FM State of the Art, Netherlands, 2006, ISBN 978-9075-45828-2.

<sup>29</sup> SFUK took part in the [Social Enterprise Partnership project](#) (UKgb-59). The studies are published as part of [Measuring Real Value: a DIY guide to social return on investment](#), by Jeremy Nicholls, Susan Mackenzie and Alibeth Somers, NEF, London, 2007.

<sup>30</sup> The study was carried out as part of the EQUAL [Social Economy Scotland project](#) (UKgb-155)

<sup>31</sup> *Mental Health and Social Exclusion*, Social Exclusion Unit, Office of the Deputy Prime Minister, June 2004

<sup>32</sup> As reported at the EQUAL Policy Forum [Putting the Heart into the Lisbon Process](#) Hannover, June 2007.

<sup>33</sup> Part of the [Public Social Private Partnership project](#) (AT-3B-18/314).

<sup>34</sup> This work was reported at the [Everybody's Business](#) conference - Örebro, Sweden, November 2006.

<sup>35</sup> For example the Social Economy Scotland project (UKgb-155) has produced the handbook [Making the Case – Social Added Value Guide](#) which outlines seven usable methods.

<sup>36</sup> For example as part of the [Response](#) EQUAL project of the Finnish Red Cross (FI-73)



benefits they desire. It works by first defining what the principal groups of stakeholders in the organisation are, and what results they want to achieve. It then monitors the way the organisation performs, compares these achievements with those of other organisations, and publishes the results. The watchwords are that the process should be multi-stakeholder, comparable, regular, versatile, learning, auditable and transparent.

In France, the *bilan sociétal* is a set of 100 indicators (ranging up to 400) that show how an enterprise impacts on society. It was used for instance in work on rural employment development by MACIF in the EQUAL project [Entreprendre ensemble dans l'économie sociale et lutte contre les discriminations](#) and by FNCUMA (Fédération Nationale des Coopératives d'Utilisation de Matériel Agricole) in [SOQLE](#). In Italy, the *bilancio sociale* is a similar tool, which can be used to raise levels of transparency. For instance in the [Agenzia di Cittadinanza](#) project in Milan, the technique is used to take indirect benefits into account such as the added income generated by the provision of childcare that allows more parents to go out to work. From 2007, it became obligatory for all registered social enterprises (*imprese sociali*).

Such initiatives to become clearer about the costs and benefits of social enterprise – and inclusive enterprise in general – are multiplying rapidly around Europe. The New Economics Foundation, a think-tank based in London, has created the EQUAL-supported *Proving & Improving* toolkit that social enterprises can use to design their own processes to measure, and improve, their quality and impact. It is web-based and summarises 22 different methods, including social accounting, LM3, EMAS, EFQM etc. A key component is the [SROI primer](#), a web-based video introduction to the method. In Bristol, such a calculation is used as part of an EQUAL project to assess the benefits of transferring public assets such as land and property to social enterprises.<sup>37</sup> The [European Social Return on Investment Network](#) has now been set up to spread this method.

One of the simple tools for enterprises reported in the NEF *Toolkit* is the British co-operative movement's set of ten *Key Social and Co-operative Performance Indicators*, which measure for instance not only whether members receive a dividend on profits and whether they turn up at annual meetings, but how much carbon dioxide the business emits and whether it takes ethics into account in its purchasing. The 10 Key Social and Co-operative Performance Indicators (KSCPIs) are:

1. Member economic involvement
2. Member democratic participation
3. Participation of employees and members in training and education
4. Staff injury and absentee rates
5. Staff profile – gender and ethnicity
6. Customer satisfaction
7. Consideration of ethical issues in procurement and investment decisions
8. Investment in community and co-operative initiatives
9. Net carbon dioxide emissions arising from operations
10. Proportion of waste recycled/reused

Another online tool, [LM3 Online](#), has been published to calculate the local multiplier effect of spending and is in use by a score of local authorities in northeast England.

### **2.3.6.3. Recommendations for mainstreaming policies**

The capacity of social firms to create jobs and to integrate into the workforce many classes of excluded people, including the most severely excluded categories such as those suffering from mental illness, has been shown. So has the way their activity produces a chain of benefits across various policy areas, that can result in impressive savings in public expenditure. However the task of evaluating the multi-dimensional social and environmental benefits for the various groups of beneficiaries, and expressing them in monetary terms to inform resource allocation decisions, is far from easy.

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<sup>37</sup> C3 – A Credible, Competitive and Confident Social Economy

Measuring social impacts is a useful tool both for enterprises and policy-makers. On the one hand it is a practice that enables businesses to define their goals and track their progress towards them, and on the other it enables policy-makers to assess whether programmes of action are actually achieving the desired results. As a result of EQUAL's work, practitioners in several EU countries are now at the stage of putting figures to the value of various impacts of social enterprise, over and above financial costs and benefits.

Thus, public authorities should be paying much greater attention to the possible role of social firms, and to the techniques that make the full range of costs and benefits clear.

- Policy makers should recognise the complexity of social policy interventions deploy measurement tools that work in this three dimensional multi level governance environment.
- Policy-makers should take an investment approach to social expenditure. They should consider the full range of costs and benefits over a medium term perspective. They should also take into account who benefits from the savings generated – for instance the national rather than the local tier of government. They can then devise systems to channel public funding along the most effective path – ‘making the money follow the outputs’ in a more transparent way.
- Tools to do this that are already in use, such as social return on investment (SROI) and the ‘socio-economic reporting’ methodology in Sweden, are producing some remarkable results. Based on the pioneering strategies developed in several Member States during EQUAL, Member States should develop wide-ranging integrated strategies to exploit the full potential of the social economy in job creation, inclusion and public service reform.

#### **2.3.6.4. Links to EQUAL case studies**

Basta (S):

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc-eff.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc-eff.pdf)  
[www.basta.se](http://www.basta.se)

Vägen ut! (S):

[http://ec.europa.eu/employment\\_social/equal/data/document/200604-se-etg2-t7a.pdf](http://ec.europa.eu/employment_social/equal/data/document/200604-se-etg2-t7a.pdf)  
[www.vagenut.coop](http://www.vagenut.coop)

Proving and improving toolkit (UK):

[http://ec.europa.eu/employment\\_social/equal/data/document/200604-se-etg2-t1an.pdf](http://ec.europa.eu/employment_social/equal/data/document/200604-se-etg2-t1an.pdf)  
[http://ec.europa.eu/employment\\_social/equal/products/prod001\\_en.cfm](http://ec.europa.eu/employment_social/equal/products/prod001_en.cfm)  
[www.proveandimprove.org](http://www.proveandimprove.org)

Agenzia di Cittadinanza (I):

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc6-cittadinanza.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc6-cittadinanza.pdf)

Social Enterprise Partnership project (UK):

<http://www.sepgb.co.uk>

Social Economy Scotland project (UK):

<https://webgate.ec.europa.eu/equal/jsp/dpComplete.jsp?cip=UKgb&national=155>

QUASAR (I):

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc-quasar.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc-quasar.pdf)

C3 – A Credible, Competitive and Confident Social Economy (UK):

<https://webgate.ec.europa.eu/equal/jsp/dpComplete.jsp?cip=UKgb&national=147>

#### **2.3.6.5. Other useful links**

SEEAB – NUTEK (S):

[www.seeab.se](http://www.seeab.se) ‘SocioEkonomiskt Bokslut’ - [www.nutek.se](http://www.nutek.se)

SROI analyses on social enterprises (UK) :

<http://www.socialfirms.co.uk/index.php/Section143.html>

Key Social and Co-operative Performance Indicators:

<http://www.cooperatives-uk.coop/live/cme211.htm>

## **2.4. BUILDING SUSTAINABLE ENTERPRISES AMONG DISADVANTAGED GROUPS**

In this compendium so far, the emphasis has been on making it easier for disadvantaged groups to start new businesses. But launching a new enterprise from scratch is one of the most difficult ways to go into business. It is less of a gamble to take over or expand an existing business. This might be through taking over the baton from a business person who is nearing retirement, so preserving specialist skills and ensuring continuity for a service that is much prized by its customers. It might be by expanding into new products or new markets, or by taking on a franchise, where a successful formula has already been tried and tested.

This chapter explores these options, as well as the phenomenon of how interlinked businesses in the same sector can take advantage of growing market opportunities while supporting each other. Specific sections show how the public sector can open up its sizeable markets to social enterprises, and how it can most effectively promote the social inclusion through social firms.

The following sections set out EQUAL's work on these issues:

- post start-up support
- transfer of existing businesses
- replication & franchising
- opening up larger markets
- building competitive supply chains
- handling exclusion through social firms

### **2.4.1. Post start-up support**

#### **2.4.1.1. The challenge**

Business support systems often run the risk of being too specialised or too general, with people struggling to access a chain of appropriate support to take them from the start-up to the consolidation and growth of a new enterprise. EQUAL partnerships have tested innovative ways of linking or 'braiding' support services from different providers to provide full and coherent business support itineraries to vulnerable groups.

Small businesses across Europe complain that business support services are too disjointed to respond to their real needs. In particular, services are often inappropriate and unhelpful for disadvantaged groups.

Disadvantaged groups and areas tend to rely on a circuit made up of different public and semi-public agencies working at the boundaries between social security, employment and enterprise policy. Here, one often finds overlapping and confusing sources of business support for small enterprises. People starting or developing small businesses typically find themselves going from one office to another, filling out similar forms and answering similar questions to access support.

Furthermore, business support staff is seldom trained in how to help disadvantaged groups specifically. This has led to the emergence of a large number of specific support services for groups such as migrants and women. These separated agencies have often been the most innovative in supporting enterprise in disadvantaged areas or amongst disadvantaged groups. However, they can struggle to deliver good spatial and temporal coverage; many projects are linked to specific funding streams that only cover parts of a sub-region or expire after a few years.

These problems contribute to lower rates of self-employment and business creation among disadvantaged groups and areas and particular risks of business failure when enterprises are started. Broadly speaking, the main challenge is how to offer services that are adapted to the needs of specific groups, whilst offering expert business advice in a coherent package capable of effectively accompanying disadvantaged groups along an itinerary towards independent and sustainable income generating activities.

#### **2.4.1.2. How EQUAL has approached the issue – examples**

##### **○ Defining support itineraries**

One of the most important messages from the experiences of business support initiatives in many European countries over recent years has been that supporting business start-ups is not the same thing as supporting successful businesses. Too many initiatives have helped create business, only for those businesses to fail within the first three years.

A first reason for failure may simply be that a business idea is unsustainable. However, an inadequate business support infrastructure is behind many business failures. Business support services are often targeted at one or other aspect of business development, such as designing a business plan, obtaining start-up funding or training. These services can be essential. However, once people have benefited from them they can emerge on the other side facing high risks of failure because there is no one waiting to continue the support.

The development of business support itineraries recognises that there are various stages to the development of a successful, sustainable business and that support is needed at each of them. The German Start-up Association developed a four-stage business development model based on experiences from EQUAL projects. The four stages are: profiling; planning; start-up; and consolidation.

Each stage has a fixed duration (from 4 weeks to 5 years) and different services are provided at each relevant stage – including counselling, training, mentoring and support in accessing micro-credit – to help the entrepreneur acquire the personal competences, skills and resources necessary for success.

‘Profiling’ is a practice which seeks to provide an initial assessment of areas of weakness and the overall chances of success of a potential start-up. It is used to avoid creating more business failures. However, some people feel that profiling is counter-productive to the development of innovative businesses that ‘break the mould’ and the more disadvantaged enterprises.

##### **○ One-stop shops**

Support itineraries are a vital theoretical tool. However, their implementation is not always self-evident. One of the major problems is that a multitude of business support providers may be competing for the attention of entrepreneurs. This can generate confusion for the entrepreneur, duplication of efforts and also lead to entrepreneurs ‘falling into gaps’ between different service providers.

A well-known method for improving the coherence of business support service delivery is the one-stop shop. It is designed to avoid the problem of people being sent round different offices to access different types of support, with repetitive and confusing processes that hamper successful business development. One-stop shops offer a single entry point to access all the information and services required.

The EXZEPT partnership established a one-stop shop in Offenbach, Germany. Such models have proved successful at reducing the burden on entrepreneurs to identify and access the services they need. However, they have also proved very expensive to run and have revealed certain limitations. In particular, it has proved difficult if not impossible to provide the full wealth and diversity of business support services from one location and one-stop shops are not so useful for people who feel a long way from such mainstream services.

The EXZEPT project looked to overcome these difficulties by developing a linked network of support providers each of which specialises in what it does best. The idea is to build “acceptance” of and cater for the specific needs of disadvantaged groups, particularly in terms of finance and business support. To cover the different needs, it has developed active co-operation with the German Microfinance Institute (DMI) and the German quality circle for business support.

- ***Facilitating the entry of disadvantaged groups into mainstream support services***

The term 'braided' support services has recently been used to describe a model blending specialised and mainstream services. In this model, specialised services concentrate on the initial phases of business development with vulnerable and disadvantaged groups. This includes key work on building confidence and trust so that new businesses can develop the capacity to access mainstream services successfully.

Based on a predefined division of labour, both specialist and mainstream providers, such as banks, provide different parts of the support package at each stage of the business development itinerary. Systems are needed to record the progress made by the entrepreneurs along their itinerary in a way that is recognised by banks and other agencies. This can significantly improve the survival rates of new businesses and reduce the business support costs at the same time.

The Reflex project in the UK provided business training and human resources support to a network of frontline ethnic minority community organisations to harness the talents and potential of people that lack opportunity and create a bridge between the communities they represent and mainstream business support, finance and training. The project trained 12 people from ethnic minority organisations to achieve professional qualifications as business advisers.

The Welsh Development Agency created a network of specialist outreach services to feed into mainstream business support. It developed a protocol of agreement which clearly defines the tasks of six specialist NGOs in providing first-stage business advice to hard-to-reach groups under its Potentia Programme. Beyond this first-stage support, the project carried out highly significant work in facilitating access to finance by developing an electronically supported tool for fast-track loan applications. Between 2001 and 2003, Potentia provided support to 2,300 people resulting in the creation of 700 new businesses and generating 1,400 new jobs.

- ***Promoting specialist awareness amongst mainstream service providers***

As well as helping disadvantage entrepreneurs to access mainstream services, certain EQUAL projects have worked to bring the mainstream services closer to the disadvantaged groups. Without seeking to replace the specific role of specialist organisations on the ground, projects have sought to ensure that there is not a gaping hole in between these specialist organisations building initial capacity and the mainstream services that can help take an enterprise to successful sustainability.

The Accelerating Women's Enterprise (AWE) partnership brings together a number of leading agencies operating in women's enterprise development in England. They have tested approaches to adapting and modernising mainstream business support to meet the needs of excluded groups of women. AWE has researched the major barriers facing women in accessing entrepreneurship and produced guidelines for mainstream services to overcome these. The partnership developed a set of 12 best practice standards for business advice to women and tested business support organisations against these criteria. On the basis of the results, 'Flagship Member' status was awarded to six out of 60 organisations to recognise their efforts and encourage those developing national policy and regional delivery partners to improve.

The Cyfenter partnership in Wales used research to provide the evidence base for diversity training and briefing sessions to around 150 people involved in the delivery of the Welsh Entrepreneurship Action Plan. This led to the Institute of Business Advisers approving a Diversity Training Programme comprising modules on: disability; race; language; lone parents and women; young people; and the over-50s. The training also helped to improve the division of labour between outreach and mainstream support services, defining protocols on where mainstream services should take over from specialist services on the ground.

- ***Passports***

The development of one-stop shops, support itineraries and braided support systems can make a big difference in providing access for vulnerable groups to appropriate support services. However, even where good programmes exist and different operators are signed up to the principle of improved coherence and complementarities of efforts, there is often continued duplication between support agencies. Entrepreneurs can still find themselves filling out similar

forms and going through similar checks and procedures at different stages of the support process, from a local community organisation to a bank.

The Verbund Enterprise EQUAL project developed a particularly effective model of partnership. The various support actions were implemented by different 'operational' partners specialising in different aspects of enterprise support. However, one of the major problems of this approach remained to ensure quality and consistency along the entire pathway and between the different service providers to avoid duplication and inefficient efforts.

To meet this need, Verbund Enterprise designed a system of 'enterprise passports' which provide a clear and transparent road map of the progress made by the entrepreneur at each stage of the itinerary. Each partner accepts the passport as an authentic record of the work done and achievements made so far and therefore do not need to carry out a fresh examination every time. The Berlin Volksbank has accepted the enterprise passport as the central instrument to evaluate the performance of young business starters when they apply for a micro-loan.

#### **2.4.1.3. Recommendations for mainstreaming policies**

Many business support services are too disjointed or inappropriate to respond to the needs of disadvantaged groups. Overlapping and confusing business services can act as a barrier to successful support.

Often expert community workers lack business expertise and conversely business support workers lack awareness of the particular situation of disadvantaged groups.

Business support that limits itself to the start-up phase has been shown likely to generate businesses that have a high failure rate. The development of support itineraries aims to ensure business support along the whole pathway from conception to consolidation. EQUAL projects have broken business development down into stages with related support activities for each stage.

One-stop shops have proved an interesting method for providing a single entry point for business support services. However, it is not generally possible to provide the wealth of possible business support services under one roof, and one-stop shops have not proved as dynamic and innovative in reaching vulnerable groups in disadvantaged locations.

'Braided' support systems can help to provide an appropriate mix of specialised and mainstream support services through to business consolidation:

- Specialist organisations – such as community-based ethnic minority associations – can be trained in providing the best possible bridge to mainstream services, including banks;
- Training can also be used to improve the awareness of mainstream services to the particular situation and potential of disadvantaged groups.

Some EQUAL projects have evaluated the approach of mainstream services to vulnerable groups to raise the profile of these issues and encourage improvements.

Passports are an innovative tool to ensure coherence of efforts to support entrepreneurs: they allow a person's history to be recorded in a way that is recognisable to the range of service providers from local associations to private banks.

#### **2.4.1.4. Links to EQUAL case studies**

EXZEPT (D):

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc-exzept.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc-exzept.pdf)

REFLEX (UK):

[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-reflex\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-reflex_en.cfm)

Accelerating Women's Enterprise (AWE) (UK):

[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-awe\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-awe_en.cfm)



Cyfenter (UK):

[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-cyfenter\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-cyfenter_en.cfm)

Verbund Enterprise (D):

<http://www.enterprise-netz.de/>

## **2.4.2. Transfer of existing businesses**

### **2.4.2.1. The challenge**

When a viable small business closes because its owner cannot find a successor, it rarely hits the headlines. But thousands of economically sound companies in Europe disappear every year because the collective factors involved in the operation are so huge. According to a recent EU report around one-third of EU entrepreneurs will retire from the labour market in the next 10 years, including significant numbers of those running family enterprises. This will affect some 690,000 companies and 2.8 million jobs every year.<sup>38</sup>

Yet experience shows that the chance of survival of a business that is transferred in whole or in part to a new entrepreneur is higher than that of a totally new start-up. This led the Enterprise DG to regard “facilitating the transfer of existing business” as a priority in its [2004 Entrepreneurship Action Plan](#).

However, transferring ownership of a small company, especially if this goes outside the family, can be a fraught business. Unexpected obstacles may lead to lengthy delays and frequently the absence of advice or access to finance can scupper the whole project with detrimental effects on jobs and the local economy. Moreover, for many owners letting go of the reins may be a difficult, even traumatic, experience and the decision to transfer may be taken too late or be forced due to a crisis such as ill health. Changing ownership of a company involves far more than simply signing on the dotted line of a legal document. Both outgoing and incoming proprietors need to be aware of the many issues involved and help to address them.

### **2.4.2.2. How EQUAL has approached the issue – examples**

A number of projects took up this issue in the latter part of the EQUAL programme. One of their distinctive contributions was to try to link the retirement of older managers and owners with specific target groups – most obviously young people but also women.

For example, the [Maillâges](#) project in France actively sought older entrepreneurs who may have needed a successor to take over their company. Taking into account the increasing number of young people finishing education and considering enterprise creation as an alternative to unemployment, Maillâges identified younger people with the skills or potential to run the business and encouraged a partnership between the two. The aim was for the young potential entrepreneur to become sufficiently trained and confident to take over the running of the business.

Once the pair had been put in contact they would work together for six months, defining roles and responsibilities. After this phase, both would take on the collective management of the co-operative. CGSCOP, the General Confederation of Worker Co-operatives, was there to support the entrepreneur couple during the first year. The training and experience gained in this relatively safe and protected environment proved successful in preparing a number of young entrepreneurs to manage a co-operative alone once the older person decided to retire. It is estimated that the Maillâges project benefited over 900 retiring and young entrepreneurs.

The [PACEREL](#) project in Lyon, France, also aimed to foster economic development and higher employment rates by facilitating the creation, survival and transfer of business. As well as offering business support, round table discussions and the dissemination of good practice, this EQUAL project promoted business transfer as the second of six priority axes designed to increase

business creation and survival rates. Promoting women entrepreneurship was a cross-cutting theme in all PACEREL's actions, and particular emphasis was also given to the young and the socially excluded.

PACEREL's axis on business transfer focused on examining the profiles of business owners and entrepreneurs due to retire and those of potential successor entrepreneurs before proposing partnerships and offering support. It especially aimed to facilitate business transfer for craft and low tech companies which were of particular importance for the local economy and yet which often prove difficult to transfer without such assistance. The project results point to 1,000 young people and 2,000 women who benefited from PACEREL's support.

#### ○ ***Uptake beyond EQUAL***

Such initiatives for facilitating business transfer from older entrepreneurs to young, potential entrepreneurs have been rolled out broadly in France including an interregional programme in southern France bringing together Aquitaine, Midi-Pyrénées, Languedoc-Roussillon and Provence-Alpes-Côte d'Azur with the aim of facilitating and supporting business transfer in the crafts, trade, hotels and catering sectors. Put in place by the Chambers of Commerce and Industry and the regional Chambers of Crafts and Trades, this programme entitled «Reprendre, c'est Entreprendre» has some one hundred people working in the business advice services of these four regions offering regular and continuous services in 24 town centres.

Brittany's Chambers of Commerce and Industry also developed a policy of business transfer through entrepreneurial couples. The [service](#) offered involves free consultation of adverts by Breton companies wishing to be transferred, classified by sector and location. It allows users to get in touch with the retiring entrepreneur or his/her representative and potential entrepreneurs to upload their profiles to give exposure to candidates and their projects.

#### ○ ***Transnational co-operation***

Other projects have taken this approach to a transnational level whereby good practice can be shared and adapted to the situation of different countries. The EQUAL projects IMERA in France and NISIA in Italy did just that. By collaborating on a common issue, that of business transfer, they were able to take advantage of a wider range of approaches, knowledge and tools.

#### ○ ***Other conditions for facilitating business transfer***

Direct business transfer support has proved effective in a number of areas in Europe. However, there is still a long way to go in improving the overall conditions which can affect business transfer. This was recognised by the Enterprise DG in its 2006 Communication [Implementing the Lisbon Community Programme for Growth and Jobs: Transfer of Business – Continuity through a new Beginning](#). The text calls upon Member States to improve framework conditions for business transfers by ensuring that tax systems are transfer-friendly, providing adequate financial conditions, by raising awareness for the need for a timely preparation and by organising transparent markets for business transfers.

### **2.4.2.3. Recommendations for mainstreaming policies**

EQUAL projects have addressed the need to raise awareness and have provided relevant support. The recommendations below include lessons learnt through these projects as well as further recommendations from the Enterprise DG and experts in the field.

- Campaigns to make owners aware of the benefits of an orderly transfer, and offer advice and counselling. One possibility might be to follow the example of Austria and the Netherlands. In both countries, business proprietors are contacted individually when they reach a certain age to help prepare them for a possible handover.
- Support to both outgoing and incoming proprietors who need to be aware of the many issues involved and how to address them.
- However, it is would-be owners who face most problems. A major one is finance. Transferring a company is generally more costly than setting one up. Funds have to be found

not just to purchase material and assets, but also items ranging from customer goodwill to potential future earnings.

- Start-up facilities, loans and guarantees should be available not only for establishing new businesses, but also for taking over an established one. Examples include: low-interest loans, as in Belgium and Luxembourg; loan guarantees to decrease the risk premium, as in Denmark, France and Austria; and tax relief for investments, including business transfers, as in Ireland.
- Taxation is another financial consideration. The Commission would like to see wider use of partial income tax exemptions when owners sell their business, especially if the money is used to invest in another company or to prepare for retirement. France and Ireland already offer tax exemptions; Belgium, Germany and Austria provide for reduced tax rates; and the United Kingdom tapers tax relief.
- Injecting greater transparency into the business transfer market to promote better match-making between potential buyers and sellers. This could be achieved through databases for businesses up for sale, impartial support services and comprehensive mediation facilities that act as honest brokers between both parties. Chambers of commerce are already active in this area in Germany, France, Italy, Luxembourg, the Netherlands and Austria.

#### **2.4.2.4. Links to EQUAL case studies**

Maillâges (F):

[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-07-maillages\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-07-maillages_en.cfm)

PACEREL (F):

[http://forumprojets.racine.fr/frontblocks/projets\\_exemplaires/fiche\\_projetv2.asp?qbeID PROJETS=622](http://forumprojets.racine.fr/frontblocks/projets_exemplaires/fiche_projetv2.asp?qbeID PROJETS=622)  
<https://webgate.ec.europa.eu/equal/jsp/dpComplete.jsp?cip=FR&national=RAL-2001-10641>

NISIA (I):

<https://webgate.ec.europa.eu/equal/jsp/dpComplete.jsp?cip=IT&national=IT-S2-MDL-288>

IMERA (F):

<https://webgate.ec.europa.eu/equal/jsp/dpComplete.jsp?cip=FR&national=RAL-2004-42574>

#### **2.4.2.5. Other useful links:**

Action Plan “The European agenda for Entrepreneurship” COM(2004) 70 final :

[http://ec.europa.eu/enterprise/entrepreneurship/promoting\\_entrepreneurship/doc/com\\_70\\_en.pdf](http://ec.europa.eu/enterprise/entrepreneurship/promoting_entrepreneurship/doc/com_70_en.pdf)

Reprendre, c'est Entreprendre (F):

<http://www.actcontact.net/>

### **2.4.3. Replication & franchising**

#### **2.4.3.1. The challenge**

The aim of social franchising and other forms of business replication is to reduce the cost, time and risk involved in setting up an enterprise, by copying an existing model. A idea is something of a ‘holy grail’ in business development, as it promises vastly improved social returns for a given investment of development time, along with a reduction in the anguish and disappointment that are typically part of a business start-up. The scope of the research undertaken and the opportunities available may be gauged from an overview of some recent activity by various promoting bodies.

In 2004-2006 two substantial development projects were run. The [Beanstalk](#) programme, run by the Community Action Network ([CAN](#)) under EQUAL, helped five social firms to replicate themselves:

- Law for All: a welfare rights advice centre

- Big Issue: newspapers produced by homeless people
- Timebank: volunteering
- Mezzanine 2: shared workspace for start-ups
- TACT: independent living services for handicapped people

Also [Social Firms UK](#), the representative body for work integration social enterprises, piloted six business ideas suitable for social firms as part of its Flagship Firms project, supported by the British government's Phoenix Fund:

- Aquamacs: the rental and maintenance of fresh water, tropical and salt-water aquariums.
- Soap-Co: manufacture and retail of hand-made soaps, shampoos, conditioners, lip balms, bath bombs, shower gels and creams.
- Wholefood Planet: retail of healthy unprocessed food and environment-friendly non-food items (based on Daily Bread in Northampton, a very early social firm)
- Pack-IT: packaging, order fulfilment, distribution and warehousing
- Café Ciao: healthy eating coffee bar
- Wood recycling: wood recycling

Thirdly, the **Plunkett Foundation**, the leading British and Irish think tank on agricultural co-operation, has developed five franchise models for rural businesses, which are available from the [Plunkett website](#):

- Farmers' Markets Operator
- Wood for Heat and Power
- Charcoal Products
- Local Food for Food Service
- Local Fruit and Vegetables

Sadly, the ideas above have been slow to take off, with replications numbering in single figures. The challenge is to refine the methodology and clarify just what the realistic expectations from social franchising and replication can be.

#### **2.4.3.2. How EQUAL has approached the issue – examples**

##### ○ **Franchising training**

Buying into an existing franchise is less risky than starting a standalone small business – in the UK nearly 90% of franchises are still trading after three years. This is one of the reasons the franchise sector is becoming increasingly important in most EU countries. To return to the UK, in 2004, there were 720 franchise networks employing around 330,000 people. Nearly all of these networks had vacancies and problems with finding suitable franchisees.<sup>39</sup> However, there are still significant barriers to overcome. For example, only a third of franchisees are women and the cost of buying into a franchise is a major barrier to many potential franchisees.

This is why the [CREATE](#) project in the UK took the path of trying to equip entrepreneurs to take on existing franchises. It made information and support on creating a franchise available to groups who face discrimination in the labour market through direct advice, training workshops and a website. The project also provided training and a series of web-based tools, such as a 'franchise suitability matrix', and developed nationally recognised standards for business advisers. Finally CREATE works directly with existing business owners and social enterprises that are considering using a 'structured business format' (SBF) as a way of growing their business.<sup>40</sup>

##### ○ **Shared ownership**

In the Basque Country, Spain, the [ARIADNA](#) EQUAL partnership explored methods for spreading the ideas of successful co-operatives without the use of formal franchises. Under its approach, an

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<sup>39</sup> NatWest/BFA Survey 2002

<sup>40</sup> Interesting examples of social franchising are the Le Mat chain of hotels employing mentally ill people, CAP Märkte – a group of 40 medium-sized supermarkets employing people with disabilities, CASA – a group of companies providing home care services and Vägen ut! (Way Out) – seven co-operatives employing ex-addicts and prisoners.

established and experienced co-operative takes out a share in a new start-up, together with the promoters of the new venture and the business support agency itself. After a period of advice and mentoring, the owner-workers of the start-up increase their share of the business, while the parent firm reduces its and the business support agency pulls out altogether. The advantage for the parent company is that it gains a stake in a new market for a lower cost while, at the same time, the new entrepreneurs are able to acquire the experience of the parent company with far less risk.

- ***Creating the critical mass for growth***

A group of EQUAL projects has developed techniques that can help social enterprises to break out of low-margin markets and consolidate themselves, through systematic initial R&D followed by social franchising. The aim of social franchising models is to reduce the risk attached to opening up a new business, and hence also reduce the cost of creating new jobs for disadvantaged people. They do this by conducting research to identify suitable business niches in which social enterprises can prosper. They then codify the know-how connected with starting up a business in such a niche; this is typically made available to intending social entrepreneurs. Some operators make this know-how available free of charge, while in other cases the transfer of the intellectual property is subject to the payment of a licence fee.

- ***Hospitality***

The hospitality sector is one which is particularly suitable for social firms integrating people with mental illness, as the jobs it provides have suitable skill profiles and offer contact with customers, which has therapeutic advantages, as is shown by examples such as [Six Mary's Place](#) in Edinburgh and [U Pana Cogito](#) in Kraków. The 'Albergo in Via dei Matti numero 0' project, based on the model of the Hotel Tritone, which has operated in Trieste, Italy, since 1991, developed an operational manual and set up a permanent international association, [Le Mat](#), which is replicating the idea in several countries.

- ***Social services***

Social services are a promising area for social franchising, as, by the nature of public services, the problems, the institutional framework and the potential markets for social enterprises are similar in a large number of settings. CASA (Care & Share Associates) has used a franchise to spread an innovative employee-owned model of home care to four cities in northeast England, in a sustainable way. The core of the group is [Sunderland Home Care Associates](#), which employs some 185 people, mostly women. It has been spread to four other towns in northern England, creating several hundred more jobs, and is still spreading. The enterprises are held together in a mutually supportive way through the 'social franchise' structure, in which the franchisees all hold shares in a common franchisor – CASA – and it holds shares in them.

What distinguishes these companies is that they are all employee-owned – the entire share capital is owned directly by, or in trust for, the people working in the company. Every year at the annual general meeting, the employees vote to distribute a batch of shares into their individual names, normally in proportion to salary but with a ceiling. This gives them a growing stake in the company's success. After they have held their shares for five years, they can then sell them to other employees free of tax. This has two effects. First, it binds each worker closely to the company, as they appoint and can sack their managers, and are responsible for agreeing strategy and major decisions – the management style is very participative in any case – and secondly it acts as a valuable financial bonus in an industry that is in general not well paid. The loyalty this generates is reflected in the low staff turnover (some 3½% a year) and in the concomitant high levels of continuity and customer satisfaction.

A second example in the social services field is [Vägen ut!](#) (Way out!), a successful franchise based on 'halfway houses', which since 2002 has established seven co-operatives employing over 30 recovering addicts and ex-prisoners, with a further 30 people in job training and residence. The model is being spread from Göteborg to Örebro and Sundsvall, with five other towns in the pipeline. Once it reaches 15 houses, the system will be self-sufficient.

- **Neighbourhood retailing**

Retailing is another sector where skills profiles and customer contact make for good integration of people with disabilities. [CAP Märkte](#) is a group of 60 medium-sized supermarkets in Germany, originating in 1999 in the Stuttgart area. They are owned by a co-operative of sheltered workshops and collaborate commercially with a co-operative of grocery retailers.

The business idea is to take over premises left empty by the flight of the main supermarket chains to out-of-town sites, and open neighbourhood grocery shops that are accessible on foot and provide a friendly service. The shops have a sales area of 400-1,000 m<sup>2</sup>, stock 7,000 lines, turn over between €750,000 and €2m a year, and employ between five and 20 people, two-thirds of whom are handicapped. They create a combination of benefits makes them sought-after by local authorities: they provide jobs for handicapped people, aiding their integration through direct contact with customers; bring about local regeneration (by providing accessible facilities for people without cars); and counter exclusion by offering services such as home delivery of meals or postal services.

In Greece, the [Peiran](#) project established a chain of seven shops in rural areas selling craft and traditional foodstuffs. They provide work for 17 young people and act as focal points for local development activities.

- **A sectoral strategy**

An industry in which social firms have been particularly successful in opening up a new market was jump-started by the EU directive on recycling electrical and electronic waste (the '[WEEE directive](#)') in 1995. Social firms acted proactively, made a pre-emptive strike, and, with EQUAL's support, Europe now has 1,000 recycling centres, which employ 40,000 people, many of whom are disadvantaged. The centres provide training in new vocations as well as offering services to public and private customers. They rely on the creation of three-way partnerships: networks with public authorities create growth opportunities, manufacturers sign contracts to recycle their products, while liaison with local chambers of commerce avoids any accusations of unfair competition. A European network ([RREUSE](#)) carries out large-scale lobbying and a transnational trading umbrella, [SerraNet](#) EEIG, has been established under EQUAL to promote the social enterprise approach.

#### **2.4.3.3. Recommendations for mainstreaming policies**

The franchising method can work particularly well in cases where a particular public service is being reformed – for instance where home care, leisure services or out-of-hours services for general practitioners are being devolved to local social enterprises. In such cases, the legal, regulatory, financial and organisations and skills issues will in large part be the same, and so it can be effective to develop and promote a common model.

As cost-benefit analyses repeatedly show, an up-front investment in researching and codifying the business model can result in massive efficiency savings for the public service within a period of a few years.

#### **2.4.3.4. Links to EQUAL case studies**

Community Action Network (UK):  
<http://www.can-online.org.uk>

CREATE (UK):  
[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-06-ukgb-create\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-06-ukgb-create_en.cfm)

ARIADNA (E):  
[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-07-ariadna\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-07-ariadna_en.cfm)

Sunderland Home Care Associates (UK):  
[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-07-inspire\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-07-inspire_en.cfm)

Le Mat (S):



[http://ec.europa.eu/employment\\_social/equal/data/document/200604-se-etg2-t6b.pdf](http://ec.europa.eu/employment_social/equal/data/document/200604-se-etg2-t6b.pdf)  
[http://ec.europa.eu/employment\\_social/equal/policy-briefs/etg2-managment-skills-social-enterprises\\_en.cfm](http://ec.europa.eu/employment_social/equal/policy-briefs/etg2-managment-skills-social-enterprises_en.cfm)

CAP Märkte (D):

[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-07-incube\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-07-incube_en.cfm)RepaNet

REPANET (A):

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc-repanet.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc-repanet.pdf)

ELWARE (FI):

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc6-elware.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc6-elware.pdf)

SerraNet:

[http://ec.europa.eu/employment\\_social/equal/products/prod122\\_en.cfm?urlcriteria=serranet](http://ec.europa.eu/employment_social/equal/products/prod122_en.cfm?urlcriteria=serranet)

REEUSE (EU):

[www.rreuse.org](http://www.rreuse.org)

PEIRAN (GR):

<https://webgate.ec.europa.eu/equal/jsp/dpComplete.jsp?cip=GR&national=200917>

#### **2.4.3.5. Other useful links**

Six Mary's Place (UK):

<http://www.sixmarysplace.co.uk/>

U Pana Cogito (PL):

<http://www.pcogito.pl/eng/>

The WEEE Directive:

[http://ec.europa.eu/environment/waste/weee/legis\\_en.htm](http://ec.europa.eu/environment/waste/weee/legis_en.htm)

### **2.4.4. Opening up larger markets**

#### **2.4.4.1. The challenge**

Public procurement represents 16% of the EU's GDP, so making it more efficient could have a sizable economic impact. But it can have a social impact too. Involving small companies and social enterprises in public service delivery can bring many community benefits. EQUAL has helped to set off a snowball of improved practice in commissioning services.

According to the EU's Enterprise DG, public procurement contracts amount to more than €1.5 trillion a year, or 16% of the EU's GDP. The sheer size of this market makes it extremely attractive to large and frequently multinational companies, and the rules governing it are both complex and fiercely fought over. In this context, the EU Public Procurement Directive and EU competition policy are concerned to ensure that there is a "level playing field" and that procedures are as transparent as possible. However, there is concern from many quarters that local SMEs and social enterprises may be excluded by the sheer weight and complexity of tendering processes and their inability to deal with new e-procurement systems.

European procurement law allows local authorities to insert certain social clauses in their terms of reference, for example to encourage the employment of long-term unemployed or disadvantaged people, in their procurement procedures (although they are not allowed to discriminate geographically by specifying that businesses or their workers must come from a specific location) and the Commission supports what it has called "[green](#)" [procurement](#).

New and small firms tend to lack information, skills and networks. Above all they have little knowledge or experience of the formal procedures from large companies and public authorities. If they did, they would not have the capacity to employ dedicated staff to scout round and go

through formal procedures. If they did win a contract, they might have difficulty complying with all the conditions. Cash flow may also be an issue as payments come in large tranches and can be delayed.

Social enterprises face a slightly different set of problems. In the past, contracting bodies were often unwilling to accept tenders from social enterprises because they did not understand this type of company. There was overt discrimination against them. Potential clients may be unfamiliar with how they are set up and how they work. They may be confused by the fact that they are sometimes not constituted as companies with shares and suspicious of the very low capital gearing, reflected in a lack of assets on the balance sheet.

#### **2.4.4.2. How EQUAL has approached the issue – examples**

Recently local administrations have taken at least two different approaches to using their considerable spending power to make the most of this situation and create local jobs. The first favours ordinary *private contractors* who agree to employ a certain number of unemployed local people, while the second favours *social enterprises* that not only employ local people but provide certain verifiable social benefits. Local authorities in the UK have become convinced that they can use their large procurement budgets to achieve more impact on their own local economies and thus fulfil their duty to look after the economic, social and environmental wellbeing of their citizens. They have understood that for example when they construct and renovate social housing they can also create jobs for people excluded by the labour market, thus fulfilling a double objective. A number of EQUAL projects in both the UK and Italy have been active in tackling the barriers local SMEs and social enterprises face in accessing public markets and making the most of these opportunities. They have shown that it is important to become involved as early as possible in the tendering process and to work in parallel on two fronts: firstly, on the procedures with the contracting officers to ensure that they are really accessible to local firms; secondly, to train and build up the capacity of the local entrepreneurs.

##### **○ Educating procurement professionals**

A significant stumbling block to widening access to larger markets is the fear that procurement officers have of “getting the procedures wrong”. This means that they tend to play safe and default to the criterion of lowest cost. But in so doing they are throwing away many potential community benefits. Learning resources are therefore needed so that officials can learn how to purchase more intelligently and include social clauses in the terms of reference related to public, adapted or restricted call for tenders. These must first cover what the various regulations say, and secondly give examples of good practice in interpreting them.

A number of initiatives are under way to assist public sector purchasing staff to avoid thinking too narrowly and to adopt strategies to build additional community benefits into the contracts they sign up to. Guidance on best practice is converging on ways to develop a ‘mixed market’ for procurement, in which some services will be provided in house, some by private sector contractors, and others by contracts with social enterprises and other third sector organisations. There will also be a mix in the contracting arrangements used, depending in part on the contract size. There is a great variety of positions among public authorities, with some moving towards a partnership approach by involving social enterprises in consultations over the planning of future service delivery.

In the UK, the role of SMEs and social enterprises has been recognised as part of the ‘sustainable procurement strategies’ that the UK government has encouraged local authorities to adopt.<sup>41</sup> The Sustainable Procurement Information Network ([SPIN](#)) relates how authorities should “include in invitations to tender/negotiate for partnerships a requirement on the bidders to submit optional, priced proposals for the delivery of specified community benefits which are relevant to the contract and add value to the community plan”. These benefits include diversity and equality, job satisfaction, regeneration, local employment, training, social cohesion and “local distinctiveness and neighbourhood vitality (the LM3 approach)”. In particular, “social enterprise is fostered and encouraged as new way of delivery and adding value to delivery of services”.

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<sup>41</sup> National Procurement Strategy for Local Government, 2003

As part of the work of the [Social Enterprise Partnership](#) EQUAL project, the Social Enterprise coalition wrote a handbook entitled *More for your Money: a guide to procuring from social enterprises*. It followed this up in 2006, during the UK's EU presidency, with a policy seminar called [Getting Best Value](#). As part of the national programme for [Third Sector Commissioning](#), the Office of the Third Sector has subsequently commissioned the [IDeA](#), the Improvement and Development Agency, to deliver training to 2,000 local government officers.

Several specific tools have been developed to help officials. As part of the EQUAL project [BEST Procurement](#), Northampton County Council has created an online self-tutoring course aimed at local authority officials called [Specification Writing for Community Benefits](#). It comprises three modules, each of which takes about 45 minutes to go through:

1. Understanding community benefits
2. Procurement (overview of procurement for those not involved day to day in procurement)
3. Achieving community benefits

It includes exercises such as analysing the economic, social and environmental benefits that accrue from using a worker co-operative bicycle courier service. It can be freely accessed by anyone who registers.

#### ○ ***Building the capacity of social enterprises***

Formal procedures can be off-putting to small organisations, and a lack of experience in bidding for larger contracts is a major barrier to entry. The first tool that has been used to build the capacity of social enterprises to respond to tenders for larger contracts is therefore **training**. The BEST Procurement EQUAL project ran a set of [10 seminars](#) in different UK towns, on five topics: agents of change & types of change, health markets, influencing the demand side, resource capacity and business effectiveness. [Social Economy Scotland](#) took a slightly different tack and organised a forum at which public sector purchasers could dialogue with social enterprises about the potential benefits and challenges of involving social enterprise in public service delivery.

Sector-specific training initiatives can also work well. The Construction Development Partnership in Sheffield has brought seven construction companies together with the public company responsible for renovating the city's public housing stock. The companies undertake to deliver at least 10% of their work through 'community building social enterprises' based on each housing estate, which train long-term unemployed people to fill local vacancies, thus reducing the shortage of building workers. They undertake a 9-month course, paid at the minimum wage, and achieve an NVQ level 2 qualification. The initiative is believed to have reduced the price of building contracts in what is €1.7 billion housing programme.

#### ○ ***Handbooks***

A second important resource is **handbooks**: In October 2003, the UK Department of Trade and Industry launched a *Public Procurement Handbook* specifically designed to help social enterprises to gain better access to public markets. The Scottish social economy DP later prepared a similar handbook for use in Scotland. These have been elaborated and the most up-to-date guidance, [Social Enterprise and the Public Sector: a practical guide to law and policy](#), was published by the BEST Procurement project in August 2007.

#### ○ ***Measuring community benefit***

**Tools to measure community benefit** are an important weapon in the armoury of social enterprises when they make their case to council officers. The NEF toolkit *Proving and improving: a quality and impact toolkit for social enterprise* sets out an array of 22 possible tools that have different strengths in different circumstances. One of these, [LM3](#), is a relevant tool to assess benefits to the local economy. During the second half of EQUAL, but outside its funding framework, this work has been developed as part of the 'Finance Hub', one of the six partnerships under the *Capacitybuilders* umbrella. A useful tool targeted at both commissioning officials and service providers is [Impact Briefing: putting impact at the heart of the tendering process](#). Its key recommendations are that:

- Service providers should learn how to map, measure, and report on outcomes;

- Commissioners should seek to understand real value over time by commissioning for results, rather than buying activities or outputs.

As part of the EQUAL [Agenzia di Cittadinanza](#) project, the municipality of Vimercate in Milan piloted the use of social accounting – the *bilancio sociale* – to calculate the costs and benefits of different ways of delivering social services. For instance it shows that savings can be achieved by improving social services: an increase in nursery provision both cuts benefit spending immediately as it enables more parents to go to work, and secondly (although with a delay of a few years) it boosts the local economy by raising educational levels. In addition there would also be intangible benefits, such as reduced healthcare or policing costs. Social accounting has other uses for public authorities: it enables them to improve the accountability to their electors, and to improve their internal organisation. Following the pilot at municipal level, the province of Milan is now in the process of selecting a contractor to extend the system to the whole province.

An important argument to be made is that through ‘**joined up thinking**’ social enterprises can deliver multiple policy outcomes simultaneously. An example is the ‘**Bulky Bob’s**’ service operated by the FRC Group in Liverpool. This collects unwanted furniture renovates it as necessary, and sells it cheaply to poor people. It thus serves the environmental objective of reducing the quantity of waste going to landfill; it serves the employment objective of creating jobs and providing vocational training; and it serves the poverty reduction objective of providing furniture for those in need.

#### ○ **Online marketing databases**

EQUAL projects have set up a number of online services to bring social enterprises to the notice of potential customers. In the UK, [Nearbuyou](#) is a national social enterprise trading network covering the whole of the UK. It lists for instance 24 farms, 34 nurseries, 143 providers of business services and 22 finance organisations. In Belgium, [Connect](#) is a web-based marketing portal that presents the products and services of social enterprise in Flanders and Dutch-speaking Brussels. Customers can search in any one of 12 categories of products, from building services to toys. Users can also submit a request for what they would like to buy. A similar initiative outside the scope of EQUAL is [okkasiounsbutikk.lu](#) in Luxembourg, which operates an online service to sell second-hand goods, typically furniture. It serves both the general public, who pay a small amount for the items they buy, and also offer a special service to local government: social workers may acquire items free of charge except for delivery and administration cost on behalf of their clients

#### ○ **Marketing consortia**

In winning larger contracts, scale is an important issue, because without scale enterprises do not have the margin to employ specialist staff to seek out suitable opportunities, prepare and submit tenders and manage the compliance procedures. A number of initiatives have therefore been taken in which social enterprises group together to increase their marketing strength.

**Cleaning up – RREUSE and SerraNet EEIG:** In the field of reuse and recycling, social firms have created an international association, RREUSE, and an EEIG, SerraNet. In the first stage, 17 member organisations in 10 EU countries, which together represent some 40,000 individuals, joined together to create a European federation called the *Re-Use and Recycling European Union of Social Enterprises* ([RREUSE](#)). In order to tap into the potential to sell reused and recycled products on the European scale, some RREUSE members decided to establish a commercially oriented structure. In 2006, 14 social firms spread across five EU Member States therefore founded a European Economic Interest Group, SerraNet EEIG. They see the EEIG as an efficient model both for organising the transfer of good practice on a stable basis and for implementing joint business activities in the long term.

**A national brand – [Welfare Italia](#):** In circumstances where the public sector is relatively weak and many social services have traditionally been provided by social enterprises, similar processes of strengthening the commercial aspect of the enterprises through the formation of consortia are taking place. In Italy there are some 7,100 social co-operatives with 267,000 members, 223,000 paid employees, 31,000 volunteers, 24,000 disadvantaged people undergoing integration and a turnover of around €5 billion. The most significant organisation among these social enterprises is Consorzio Gino Mattarelli (CGM), which federates 79 territorial consortia, in

turn comprising some 1,500 social co-operatives. These have 40,000 employees, of whom 5,000 are volunteers. Their combined turnover in 2003 was around €1 billion. The strength that this consortium structure brings is enabling the social co-operatives to build their brand forcefully. In 2005 CGM launched a new development strategy based on the new brand '*Welfare Italia*' which will appear as a trademark, in television adverts, etc. CGM promotes social co-operatives as partners with government and private sector, promoting themselves as a nationwide network combining solidarity with competitiveness and offering reliable services that meet people's needs and are based on trust.

○ ***Local consultation mechanisms to plan service delivery***

**Changing the balance of power – *tavoli* in Milan:** The [Agenzia di Cittadinanza](#) EQUAL project in Milan introduced a new way of organising the collaboration between public authorities and social co-operatives. It opened four area offices – 'territorial laboratories' – which acted as antennae to find out what local needs were, and formed the hubs of local networks. The four laboratories together covered 50 *comuni* (municipalities). They grew into meeting places for local third sector organisations, the local authorities and individual citizens who want to start social initiatives. They have led to new markets for social enterprises through the creation of housing agencies, incubators for start-up enterprises, nurseries and neighbourhood services, as well third sector fora and participation in local improvement plans.

National law 328/00 sets up a voucher system and provides for joint 'negotiated planning' in areas such as child and elderly care, handicap, mental illness, immigration and poverty. It works through local committees (*tavoli*) comprising representatives of the local municipalities, third sector organisations and trade unions. These committees decide social policy at the district level, and typically cover a population of several hundred thousand people. On some of the committees the EQUAL partnership has won direct representation, enabling it to engage in a dialogue with the local authority on health, housing, employment and training – and will possibly be extended to cover town planning.

#### ***2.4.4.3. Recommendations for mainstreaming policies***

Public authorities at all levels should ensure that their procedures for contracting with outside service providers are genuinely accessible to small local firms set up by entrepreneurs from under-represented groups and to social enterprises, which can provide significant additional benefits to the community. This means getting involved as early as possible in the tendering procedures and acting simultaneously to open up procedures and to train and build the capacity of local firms.

It is local political leaders and their teams who have to take the lead in being more imaginative, as was shown by mayors Jon Collins of Nottingham (UK) and Jens Nilsson of Östersund (Sweden) at the EQUAL [Hannover Policy Forum](#) on entrepreneurship in June 2007. The local authority officers responsible for drawing up contract specifications play a key role, and educating them on the issue of community benefit is an important factor. However it is essential that this work is supported by national policy and guidelines, developed in partnership among those departments responsible for small business, social, inclusion and public services. In 2009 the European Commission will be buttressing this by publishing a guide to incorporating social benefits within the public procurement directive.

The local community will also benefit from the existence of a local fabric of SMEs and social enterprises which has the capacity to bid for and win public contracts. Authorities can therefore benefit from helping to build the capacity of potential contractors. Tools to be used could include the publication of guides and the running of training seminars.

Thirdly, purchasing officers in public authorities – as well as those in large private companies' – should be aware of, and where appropriate use, commercial resources for accessing SMEs and social enterprises, such as online databases.



#### **2.4.4.4.      *Links to EQUAL case studies***

Proving and Improving (UK):

[http://ec.europa.eu/employment\\_social/equal/products/prod001\\_en.cfm](http://ec.europa.eu/employment_social/equal/products/prod001_en.cfm)

Serranet:

[http://ec.europa.eu/employment\\_social/equal/products/prod122\\_en.cfm](http://ec.europa.eu/employment_social/equal/products/prod122_en.cfm)

Agenzia di Cittadinanza (I):

<http://www.agenziadicittadinanza.it/equal2/index.php>

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc6-cittadinanza.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc6-cittadinanza.pdf)

Strengthening the Social Economy, (UK):

<https://webgate.ec.europa.eu/equal/jsp/dpComplete.jsp?cip=UKgb&national=71>

SQUARES:

<https://webgate.ec.europa.eu/equal/jsp/tcaView.jsp?id=687>

Social Economy Exchange Network (SEEN):

<https://webgate.ec.europa.eu/equal/jsp/tcaView.jsp?id=4124>

Construction Development Partnership (UK):

<https://webgate.ec.europa.eu/equal/jsp/dpComplete.jsp?cip=UKgb&national=14>

Proving and improving: a quality and impact toolkit for social enterprise (UK):

[http://www.neweconomics.org/gen/z\\_sys\\_PublicationDetail.aspx?pid=224](http://www.neweconomics.org/gen/z_sys_PublicationDetail.aspx?pid=224)

Nearbyyou (UK):

<http://www.nearbuyou.co.uk>

Connect (B):

<http://www.connect-info.be>

Okkasiouns'buttik (L):

<http://www.okkasiounsbuttik.lu>

#### **2.4.4.5.      *Other useful links***

Sustainable Procurement Information Network (UK):

<http://www.s-p-i-n.co.uk>

“Getting best value” EU colloquium on social enterprise and public procurement (October 2005):

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-med-093-procurement.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-med-093-procurement.pdf)

Specification writing for public procurement (UK):

<http://www.specification-writing.info>

Social Economy Scotland (UK):

<http://www.socialeconomyscotland.info/scvo/content/events/events.asp?eventid=44>

“Impact Briefing: putting impact at the heart of the tendering process” (UK):

[http://www.financehub.org.uk/uploads/documents/Impact\\_Briefing\\_135.pdf](http://www.financehub.org.uk/uploads/documents/Impact_Briefing_135.pdf)

‘Bulky Bob’s’ service (UK):

<http://www.socialenterprise.org.uk/Page.aspx?SP=1925>

REEUSE:

<http://www.rreuse.org/>

Welfare Italia:

<http://www.welfareitalia.com/>



## **2.4.5. Building competitive supply chains**

Whilst supply chains and clusters are often seen as applying only to high-end technological sectors, EQUAL partnerships have shown that taking a collective and trade-sector-based approach to developing all levels of the local supply chain can have considerable advantages over *ad hoc* support for individual entrepreneurs.

### **2.4.5.1. The challenge**

EQUAL has described the process of starting up a business as being just the first step on a ladder. If start-ups do not have access to markets and competitive technology the ladder will just lead entrepreneurs over the cliff into debt and bankruptcy. Currently, despite regional differences, an average of around ten percent of businesses disappears each year across the EU.<sup>42</sup> A lack of business knowledge, technical capacity, market awareness or business networks can all prevent many entrepreneurs – particularly from disadvantaged groups – from being able to expand a business idea to its full potential.

In this sense, start-up support is clearly not enough. For example, start-up support can help women to create their own enterprises. However, once they are up and running, many women entrepreneurs can find it hard to break into the male-dominated business networks which can be crucial for developing contacts and clients. Similarly, ethnic minorities tend to use their traditional knowledge and networks to set up businesses which trade within their own community. This can be a good way to start but, in the end, the market can become saturated with very similar ethnic businesses.

In the same vein, entrepreneurs within deprived urban and rural areas often begin by trying to serve the local people they are most familiar with. But incomes within these areas are often low, and only a small proportion of firms can survive exclusively on local markets. Many social enterprises are also conceived to provide services that private firms find too risky or costly to provide. If they rely exclusively on these markets it can become very difficult to become independent from public funding.

### **2.4.5.2. How EQUAL has approached the issue – examples**

Although supply chains and clusters are all too often seen as applying uniquely to the “champions’ league” of the knowledge economy, in fact, there are many emerging and niche markets which provide important opportunities for entrepreneurship and job creation among disadvantaged groups.

EQUAL projects have shown that taking a collective or sector-based approach to developing local supply chains can have considerable advantages over approaches which target the individual irrespective of the local conditions. The best way of ensuring that start-ups survive and become sustainable is to intervene in an integrated way at different levels of the supply chain, from training and product development to improved technology and accessing the market. Approaches have focused on fulfilling the potential of particular groups or areas, or harnessing new or growing levels of demand, particularly in the environmental, social and cultural sectors.

#### **○ Turning growing social and environmental needs into opportunities**

Growing awareness of the threats facing the global environment and increasing social needs – particularly in the fields of child and eldercare – create new potential for developing local supply chains. EQUAL projects have worked at different levels of the supply chain, including identifying

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<sup>42</sup>Eurostat:[http://epp.eurostat.ec.europa.eu/portal/page?\\_pageid=2293,59872848,2293\\_61474735&\\_dad=portal&\\_schema=PORTAL](http://epp.eurostat.ec.europa.eu/portal/page?_pageid=2293,59872848,2293_61474735&_dad=portal&_schema=PORTAL)

needs and supporting entrepreneurship amongst disadvantaged groups or social enterprises to meet these needs.

The **Factoria de Empresas** project in Spain helped launch social enterprises contributing to meet local social or environmental needs in areas around Madrid, which were suffering from high unemployment and limited job opportunities. The project saw the potential to turn the growing social and environmental needs of the major city into new job opportunities for the disadvantaged groups living just outside. It set up 'Ecotextil', which is focused on recycling publicity materials for reuse and 'Ecoaceite' that recycles used vegetable oil. It also supported the development of a garden centre and a farm school aimed at people with disabilities. The project worked with the Universidad Autónoma in Madrid to explore new business opportunities in the environmental sector.

The **INSPIRE** project developed an innovative model for replicating successful social enterprises in northeast England. Its most notable progress was in the context of the growing niche market of home care services where a successful employee-owned company, Sunderland Home Care Associates (SHCA), was used as the model to launch several similar companies in the region. A social franchising body, Care & Share Associates (CASA), has facilitated the creation of new social enterprises through planning, administration, management, quality control and recruitment support in following the SHCA model. To ensure the independent enterprises are held together in a mutually supportive way, each has shares in CASA whilst CASA retains a holding in each company. The project led to the creation of over 400 new jobs.

The **ADERE** project sought to take advantage of increased social needs in rural areas in Portugal to develop employment opportunities. The project worked at all levels of the process, from identifying the local needs and assessing the barriers to service delivery to providing the training and support necessary for disadvantaged groups to provide these services. A growing market was identified for services in elderly care, dwellings for the elderly, home care, household chores, childcare, support for youngsters with difficulties, security and improvements to housing. Disadvantaged groups, particularly youngsters seeking their first job, were provided with the knowledge, methodologies and tools necessary to create micro and small businesses in areas with success potential.

#### ○ ***Promoting new opportunities in growing sectors***

The modern economy is undergoing many changes as a consequence of factors such as technological advances, globalisation and changing tastes and preferences. Many of these changes cause the loss of jobs, for example as factories close owing to competition from abroad. However, the changing economic context also provides new opportunities, which can be exploited to provide new or expanded local markets. Particular opportunities exist in the growing sectors of leisure, culture, entertainment and tourism.

Community celebrations offer potential for the development of business ideas amongst disadvantaged groups in areas such as creative industries, catering, clothing, media and tourism. Festivals can tap into the growing leisure and tourism markets and, because of the very nature of many of these festivals, they can provide opportunities for creative activities empowering individuals and socially excluded groups. The **Celebrating Enterprise** project in the UK focused on two London-based festivals rooted in ethnic minority communities. The project sought to harness the potential of the events to raise the profile of ethnic community businesses and to develop the confidence-building effects of participation in these events.

Audiovisual industries offer particular opportunities in the modern economy. However the sector relies heavily on small and micro businesses and requires good quality specialised facilities and structures to support the development of skills and products. The **Audio Visual Entrepreneurship** project in the UK and the similar **Maison des Musiques Emergentes** project in Belgium aimed to provide individuals from groups under-represented in the audiovisual industries with opportunities to develop the skills, knowledge and experience to create successful businesses. The projects worked on the empowerment of disadvantaged groups, from the development of skills and the provision of rehearsal spaces, through mentoring and help in making links with the mainstream market and industries.

Whilst construction is a declining sector, the more creative field of design is growing. The **Maison du Design** project in Belgium took a prominent physical space and opened a Design House with specific support services open to all designers. It supported designers from all sections of the community in carrying out market research, developing a business plan, setting prices and working with suppliers. It offered start-up protection through an incubator format and acted to build trust between designers and funding bodies. It also provided an exhibition space so that the designers could profile themselves and gain access to mainstream markets.

The **Sports Business Partnership** project from Greece established a series of one-stop shops specifically aimed at supporting business creation and development in the sports sector. As well as information, these centres provided links to top professionals in the sector, enabling entrepreneurs to access know-how that would only normally be available to people who were already very well connected or who paid a lot of money. This project was particularly innovative in recognising the economic potential of sports activities, an area which is often seen as a purely public service.

- ***Developing local supply chains for ethnic minority groups***

Expanding ethnic minority communities create new opportunities for entrepreneurship and enterprise development at local level. Firstly, existing entrepreneurial activities among ethnic minority groups can be encouraged to expand into mainstream markets and indigenous entrepreneurial activities can be encouraged access ethnic minority markets. Secondly, new job opportunities are directly created in meeting the specific needs of these groups.

The **Emerge** project in Ireland worked to help ethnic minority entrepreneurs break out of their niches and access mainstream markets. The project sought to provide ethnic minority entrepreneurs with the information to serve a broader market. It worked to build links with mainstream business networks, for example by inviting ethnic minority entrepreneurs to networking events and mainstream business information sessions. It also engaged with mainstream financial institutions to improve their understanding of the potential and needs of ethnic minority entrepreneurs.

The transnational EQUAL project **Building Entrepreneurship** tested different tools and methods to move ethnic minorities and other socially excluded groups out of the shadow economy through inclusive entrepreneurship. Helping ethnic minority entrepreneurs to avoid the ‘traps’ of the informal economy can be a crucial first step in enabling them to access mainstream funding and support services and mainstream markets.

The **Kennis voor een gevulde winkelwagen** (‘Knowledge for a well-filled shopping trolley’) EQUAL project targeted ethnic minority entrepreneurs on Boulevard Zuid (Boulevard South) – a two kilometre-long shopping street in South Rotterdam with a dramatically high business failure rate. It aimed to help them turn their shops into successful long-term businesses. The training the project provides was a vital component of the policies promoted by the *Kanszone* (‘Opportunity Zone’) led by the City of Rotterdam. This integrated business support initiative combined a grant scheme for investments by SMEs, microcredits provided by banks, starter advice, public-private partnership in area management, public investment to rehabilitate business premises, training programmes for at-risk youth and on-line property information.

- ***Promoting specific local supply chains in rural or urban areas***

Many rural areas are experiencing decline owing to international competition and are suffering from depopulation as people move to cities in search of work. However, the specificities of rural areas also offer the potential for developing new markets in the modern economy, from growing agricultural markets – such as organic produce – to new possibilities in the field of leisure and tourism.

For example, the **GLOCAL** EQUAL project in Northern Portugal created the “Laboratory for Investment Opportunities”, with a strong contribution from the University of Trás-os-Montes and Alto Douro (UTAD). The main part of this “tool” is a computerised scoring system for rating the investment opportunities in the different niches of the main “value chains” in the Alto Douro. It combines a traditional assessment of risk and financial viability with local information about promising market niches, and takes into account personal factors such as the time available after

family care commitments. This allows both advisers and entrepreneurs to take a far more detailed, tailor-made and therefore objective overview of the main opportunities for creating “local companies with a global focus”.

On the other hand, urban neighbourhoods can experience some of the most extreme forms of deprivation – even within otherwise prosperous cities. Work can be undertaken to encourage inclusive entrepreneurship and job creation in niche markets in such areas. Opportunities can be created through existing or planned activities in such fields as urban regeneration, culture, the knowledge economy and social service provision. Many of the projects mentioned in previous sections target urban areas (Factoria de Empresas, Celebrating Enterprise, Audiovisual Partnership and Maison des Musiques Emergentes).

#### **2.4.5.3. Recommendations for mainstreaming policies**

Encouraging and supporting business start-ups is a necessary but not sufficient condition for successful sustainable enterprises. Business support policies need to look at all dimensions of the local supply chain – with a clear focus on ensuring eventual self-sufficient market access – to create such sustainable success stories.

Potential for job creation and entrepreneurship can stem from a number of sources, such as growing social and environmental needs, which create new market opportunities. The restructuring of the economy also provides new market opportunities in such growing sectors as leisure, culture, tourism and creative industries. Ethnic minority communities represent new markets and also bring new products which ethnic entrepreneurs can bring to mainstream markets with the right expertise or support.

Business support services which encourage new start-ups in already saturated or non-existent markets are likely to do more harm than good by “setting people up to fail” and driving them into debt. A clear identification of the new or growing local market opportunities can allow targeted business support activities with much greater chance of success.

However emerging opportunities do not translate automatically into new firms and jobs for disadvantaged groups. It is necessary to take an entrepreneurial approach to the entire supply chain and design an integrated sequence of actions which fits each context.

Pro-active approaches need to be taken to identifying potential entrepreneurs. Targeted business support activities can include skill development in particular growth areas, general business training and techniques such as marketing and mentoring to encourage sustainability

#### **2.4.5.4. Links to EQUAL case studies**

Factoria de Empresas (E):

[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-07-factoria\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-07-factoria_en.cfm)

INSPIRE (UK):

[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-07-inspire\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-07-inspire_en.cfm)

ADERE (P):

<https://webgate.ec.europa.eu/equal/jsp/dpComplete.jsp?cip=PT&national=2001-106>

Celebrating Enterprise (UK):

<https://webgate.ec.europa.eu/equal/jsp/dpComplete.jsp?cip=UKgb&national=112>

Audio Visual Entrepreneurship:

<https://webgate.ec.europa.eu/equal/jsp/dpComplete.jsp?cip=UKgb&national=143>

Maison des Musiques Emergentes (B):

<https://webgate.ec.europa.eu/equal/jsp/dpComplete.jsp?national=76&lang=nl&cip=BEfr>

Maison du Design (B):

[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-07-maisondesign\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-07-maisondesign_en.cfm)

Sports Business Partnership (GR):  
[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc6-sporting.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc6-sporting.pdf)

Emerge (IRL):  
[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-06-ie-ethnic\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-06-ie-ethnic_en.cfm)

Building Entrepreneurship:  
<https://webgate.ec.europa.eu/equal/jsp/tcaView.jsp?id=4220>

Kennis voor een gevulde winkelwagen (NL):  
[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-07-winkelwagen\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-07-winkelwagen_en.cfm)

Glocal (P):  
[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc6-glocal.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc6-glocal.pdf)

## **2.4.6. Handling exclusion through social firms**

### **2.4.6.1. The challenge**

Social enterprises – businesses which trade and make a profit, in order to achieve a social objective, rather than to distribute it to financial investors – have been pioneers in integrating excluded people into the labour market. Indeed integration through work is the principal objective of the largest category of social enterprises, also known as ‘social firms’. Studies have shown that social firms are an effective and efficient way of integrating disadvantaged people into the workforce – one that can result in great savings to the public purse when compared with passive measures that maintain disadvantaged people outside the workforce. Yet in many cases, the demands of holding down a conventional job may prove to be too much to handle, resulting in an excluded core of people who become unemployed in the long-term. However it is not that they are incapable of work or unwilling to work – on the contrary: work is one of the most important sources not only of material independence but of status in society. The issue is that the conditions under which vulnerable people work must match their needs. Various types of social enterprise have evolved which provide work under appropriate conditions. They thus enable previously inactive people to gain a foothold in regular work. Depending on their abilities and preferences they may either stay permanently in a sheltered job, or spend a period being prepared to leave for a job in the open market.

In order to raise the labour force participation rate in the EU to 70%, as the Lisbon strategy aims to do, groups of people who face disadvantage in the labour market must be encouraged and enabled to work. For instance in 2006, while across EU-15 64% of people aged between 15 and 64 were employed; the share was much lower for certain groups. For women it was 57% and over-50s 43%. Non-nationals, young people and people with disabilities and mental illness also tend to fare badly.<sup>43</sup> It is in this context that the [Integrated Guidelines for Growth and Jobs \(2005-2008\)](#) call for “the inclusion of disadvantaged people in the labour market, including through the expansion of social services and the social economy” (guideline 18) and “the creation and growth of start-ups in line with the SME’s Charter. ”In addition, they mention that Member States should reinforce entrepreneurship education and training” (guideline 10).

Being in the workforce is a key indicator of inclusion. The issue of work integration exists at the nexus of economic and social policy, and for this reason it often makes an uneasy fit with existing public institutions and programmes. One stumbling block in the past appears to be the need for better liaison among the ministries and departments of government at all levels, to address the problem in an integrated way. This is one reason why it has been the third sector, including charities, user-led voluntary associations and co-operatives, that has taken the lead. The benefits accrue of course to the individuals involved, but also in terms of increased activity rates, lower benefit dependency and a healthier and more cohesive society. Addressing the issue requires

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<sup>43</sup> [European labour force survey 2006](#)



commitment from several arms of government, which all too often have become used to working in isolation from each other, in parallel 'silos'.

Work integration social enterprises (WISEs) – also known as 'social firms' – come in many shapes and sizes, and have a variety of objectives. Some act as a temporary 'intermediate labour market' through which trainees pass on their way to a conventional job, while others, particularly those that focus on the needs of people with disabilities or mental illness, offer long-lasting workplaces. They may be incorporated as associations, co-operatives or share companies, and in some countries they have a special legal status open to them – for instance in Italy there are some 7,000 'B-type social co-operatives' which fulfil this function.

WISEs survive and prosper in a number of ways. Typically they combine income earned by trading on the market with some compensation from the public sector for the additional costs incurred in employing disadvantaged people. They may also be able to tap into revenue streams in support of specific policies such as childcare, environmental improvement or urban regeneration. Such revenue streams differ markedly from one country to another.

#### **2.4.6.2. How EQUAL has approached the issue – examples**

##### **o Business support that listens**

The work of EQUAL projects in assisting social firms shows that there is a need for support systems that address the objectives of employment development, social development and business development at the same time. The need is for agencies which understand the scope for job creation that lies in providing services to meeting needs that are not catered for by the public or private sectors, that also understand how market-based approaches can be used to address these needs, and thirdly, that are approachable by disadvantaged people and prepared to deal on their terms. There is thus a need to create a 'funnel' that combines broad accessibility with appropriate expertise.

Such bottom-up social enterprise support agencies have been active in EQUAL in many countries, for instance Germany and the UK<sup>44</sup>, but the most comprehensive example of such a dedicated support system is [Coompanion](#) in Sweden, a network of 25 local co-operative development agencies, several members of which took part in EQUAL. Between them they create around 300 new enterprises each year and have revenue of €6.7m. What is interesting about their structure is that they function on a partnership model which combines core funding from the state – creating stability – with local matching – creating anchorage. The loose national federal structure provides a community of practice among the agencies' 85 workers, as well as allowing a political voice. In contrast a good example of introducing support for social enterprises into the mainstream business support agencies is found in Italy, where the social economy is much more strongly structured. The EQUAL [Quasar](#) project is the fruit of a national partnership between consortia of social co-operatives and the chambers of commerce. The latter had previously not known how to serve the needs of social enterprises, and were anxious to enter this growing market. The partners set up observatories in eight towns, from Milan to Bari, carried out check-ups on 240 companies and trained the business advisers. Fresh towns are now keenly following suit.

##### **o Helping existing employers to be more inclusive**

An entirely different approach – one that has increasing potential as the labour market tightens – is to combat labour shortages by actively marketing to mainstream businesses the option of employing long-term unemployed and disabled people. This is the approach that has been successfully adopted in Tampere, Finland. By taking the red tape out of company recruitment, the EQUAL [Pirkanmaan Syke](#) (Pulse of the Tampere Region) partnership is helping to solve a labour shortage as well as improving the lot of disadvantaged people. Working from a town-centre business advice agency, with seven advisers distributed among its partner organisations, Syke used professional marketing techniques to identify companies looking for motivated workers. It then had at its disposal a subsidy scheme that can reduce the wage bill by as much as 40% in

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<sup>44</sup> for example SEEM – [Social Enterprise East Midlands](#)



the case of a long-term unemployed disabled person. The project aimed to make it quick and easy for the company to find the right employees. Using this technique, the project helped create several dozen social enterprises – in fact over half the national total.

EQUAL projects in several countries have accessed various types of subsidy schemes which aim to 'level the playing field' for social firms by compensating for the lower productivity of their disadvantaged workers when competing in the open market. For example in Italy, there are some 2,000 'type B' social co-operatives that are granted relief from social insurance contributions in respect of their 28,000 disadvantaged employees<sup>45</sup>.

In Germany, the 520 member enterprises of the Bundesarbeitsgemeinschaft Integrationsfirmen ([BAG Integration](#)) provide 16,400 jobs, of which half are for severely handicapped (*Schwerbehinderte*) people. They benefit from a subsidy regime paid for from a fund that employers must pay into if they employ fewer than the legal quota of 6% handicapped people. Four types of support are given: a 30% wage subsidy by way of compensation for reduced productivity (*Nachteilsausgleich*); an integration supplement (*Integrationszuschuß*); consultancy help (*Beratung*) and, for those enterprises employing over 25% handicapped people, a contribution towards overheads (*Regiekosten*). In Greece, limited liability social co-operatives ([KoiSPes](#)) are relieved of corporate taxes except VAT. The Walloon region of Belgium gives a 0% incentive for investments by its 60 *enterprises de travail adapté* (ETAs), employing some 6,000 people<sup>46</sup>.

- ***Social co-operatives integrate the most severely excluded***

Mentally ill people are one of the hardest groups to integrate, and EQUAL has shown how social co-operatives can accomplish this difficult task. In Greece, the EQUAL [Synergia](#) project (see above) addressed the problem of how to deinstitutionalise the monolithic mental hospital system while avoiding intense disruption to the local economies in often remote rural areas that depend on the jobs they provide. So far 14 social co-operatives have been set up out of a projected total of 50 or so covering the country. They provide several hundred jobs in activities such as horticulture, honey manufacture, catering, baking, printing, carpet-weaving, paper recycling and car washing. The co-operatives have been established using an innovative legal form brought into being in 1999: the limited liability social co-operative (KoiSPE). This has a dual status: on one hand it is an independent business benefiting from tax relief. On the other hand it is an official mental health unit, which means it can receive in-kind support, for instance by borrowing disused hospital premises or staff secondments. The law provides that at least 35% of each co-operative's members are people suffering mental health problems, but also that mental health professionals can join and thus assure continuity of production, as well as corporate bodies, which can inject working capital by buying additional investment shares. Mentally ill people are also one of the key beneficiary groups of Italy's 2,000+ 'type B' social co-operatives.

Another difficult group is drug users, who have been the target of some strikingly successful rehabilitation projects that EQUAL has supported in Sweden. The [Basta](#) and [Vägen ut!](#) projects have established a string of social co-operatives that provide a supportive and empowering environment within which ex-addicts can establish themselves in self-supporting businesses.

- ***Activation through neighbourhood services***

Residents in pockets of deprivation are another group that can be reactivated through social enterprise. Work as part of EQUAL in Southwest Flanders shows how the development of mutually-reinforcing neighbourhood services can improve the quality of life of severely excluded people, such as migrants who have been unemployed for over five years. The system relies on breaking down barriers by co-locating different services, and on mixed financing, including service vouchers that effectively give a 70% wage subsidy. A simple example, which sprang from a needs analysis, is that providing short-term hour-by-hour childcare enables unemployed women to attend job interviews and thus gain paid work. The project also makes it easy to find

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<sup>45</sup> Details of how this system works are given in the seminar report "[Getting best value](#)" EU colloquium on social enterprise and public procurement – October 2005.

<sup>46</sup> [FAME](#) (Formation, Adaptation, Maintien, Employabilité) co-ordinated by AWIPH (Agence Wallonne pour l'Intégration des Personnes Handicapées).

out about work opportunities by locating an internet access point in the community canteen. This combination of multiple activities with multiple sources of finance – the so-called ‘cloverleaf’ model – has enabled the creation of some 70 jobs among the long-term unemployed residents of deprived housing estates in Flanders<sup>47</sup>.

#### **2.4.6.3. Recommendations for mainstreaming policies**

The cultural and institutional settings in different countries lead naturally to very different growth environments for social enterprises. Nevertheless, some common issues show through. In the first place, social enterprises deliver benefits along several dimensions, so if governments wish to capture all these benefits, they should ensure that their own organs are configured in the appropriate way, so that some internal means exists of thinking in a ‘joined-up’ way about the role of social enterprise. This might mean giving the departments responsible for economic policy and for social policy a meeting point where they can work together – for instance a dedicated government unit.

Governments would also do well to realise that the very strength of social enterprises from a public policy point of view is that they are independent business which seek to survive in a competitive market – this is the very benefit they seek to bring to their members and employees. They typically organise and share expertise through member-controlled representative bodies. Government can therefore benefit from recognising the essential independence of the sector, and working with it to build dialogue and development structures. This might typically be done by encouraging the creation of an umbrella body for social enterprises, as has been done very effectively in Greece and Sweden as well as the UK. A policy dialogue can then be conducted which overcomes the partial ‘silo’ mentality.

Some of the major areas where policy-makers can help to increase the impact of social firms on public policy are:

- to ensure that adequate legal structures exist (this is an opportunity to compensate social enterprises for the additional costs of employing and activating disadvantaged people)
- to ensure that the business support and training systems are serving the needs of social enterprises. The ‘funnel’ towards the best appropriate business support is best achieved through what has become known as a ‘braided’ approach, combining:
  - a basic level of openness and competence across the entire business support system, which enables agencies to welcome and assess the needs of all comers, and refer cases to specialist agencies as need be. This aspect is the subject of the benchmarking work being carried out by [COPIE](#), the Community of Practice on Inclusive Entrepreneurship;
  - specialist agencies, federal bodies and/or advisers that such ‘one-stop shops’ can refer client to for help with more advanced issues.
- to encourage innovation in such areas as the replication of social enterprises through social franchising and the measurement of their social impacts using techniques like social return on investment (SROI), which can enable improved value for money in public procurement.

#### **2.4.6.4. Links to EQUAL case studies**

Social Enterprise East Midlands (SEEM) (UK):

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc6-seem.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc6-seem.pdf)

Coompanion (S):

<http://www.coompanion.se>

Pirkanmaan Syke (FI):

[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-07-syke\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-07-syke_en.cfm)

Slup.se:

[http://ec.europa.eu/employment\\_social/equal/data/document/200604-se-etg2-t5a.pdf](http://ec.europa.eu/employment_social/equal/data/document/200604-se-etg2-t5a.pdf)

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<sup>47</sup> Regie Buurt-en Nabijheidsdiensten and [Werk.Waardig](#).

QUASAR (I):

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc-quasar.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc-quasar.pdf)

INCUBE (UK):

[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-07-incube\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-07-incube_en.cfm)

Synergia (GR):

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc6-synergia.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc6-synergia.pdf)

Social co-operatives and public procurement:

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-med-093-procurement.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-med-093-procurement.pdf)

Basta (S):

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc-eff.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc-eff.pdf)

Vägen ut ! (S):

[http://ec.europa.eu/employment\\_social/equal/data/document/200604-se-etg2-t7a.pdf](http://ec.europa.eu/employment_social/equal/data/document/200604-se-etg2-t7a.pdf)

Werk.Waardig (B):

[http://ec.europa.eu/employment\\_social/equal/practical-examples/entrep-07-werkwaardig\\_en.cfm](http://ec.europa.eu/employment_social/equal/practical-examples/entrep-07-werkwaardig_en.cfm)

“Getting best value” EU colloquium on social enterprise and public procurement – October 2005:

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-med-093-procurement.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-med-093-procurement.pdf)

National thematic networks in the social economy:

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc6-se-ntn.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc6-se-ntn.pdf)

- Austria, Greece & Sweden:

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc6-se-ntn.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc6-se-ntn.pdf)

- United Kingdom:

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-07-ntn-se-uk.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-07-ntn-se-uk.pdf)

- Germany:

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-med-092-ntn-berlin.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-med-092-ntn-berlin.pdf)

COPIE - the Community of Practice on Inclusive Entrepreneurship:

<http://www.copie.esflive.eu/>

### 3. COMMUNITY AND CAPACITY DEVELOPMENT

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## Community and capacity development

### **3.1. COPIE – THE COMMUNITY OF PRACTICE IN INCLUSIVE ENTREPRENEURSHIP**

It is one of the successes of the EQUAL programme that the principle of transnationality has been mainstreamed into the European Social Fund as a whole – in other words transnational action is now possible in all the ESF's activities. Of the 117 operational programmes in the 2001-2013 programming period, 42 have a dedicated priority for transnational work, while the remainder have included transnationality across all priorities.

In order to support transnational work, a series of communities of practice – learning networks – have been set up. Etienne Wenger defines a community of practice as: “a group of people who share a common concern, a set of problems or a passion about a topic and who deepen their knowledge and expertise by interacting on an ongoing basis.”

To support these communities, several online platforms have been set up, notably <http://www.transnationality.eu>, which aims to:

- exchange practice and experience in designing, administering and monitoring transnational experience
- establish and manage an online platform to facilitate discussion and exchange of information
- contribute to the development of the necessary skills and to building institutional capacity to effectively promote and benefit from transnational exchange
- facilitate the development of suitable tools and procedures to make transnational co-operation work

COPIE – the Community of Practice in Inclusive Entrepreneurship – was set up in 2006 with four founder partners – Germany, Flanders, Spain, Portugal and Wales – with France, Wallonia, the Netherlands and Greece also taking part. COPIE has developed three online tools to support its collaboration.

#### **3.1.1. The COPIE benchmarking tool**

The COPIE benchmarking tool at <http://copie.esflive.eu> allows regions to assess and compare their performance in promoting inclusive entrepreneurship

The benchmarking process takes a 360-degree approach, taking the stakeholders systematically through an analysis of enterprise support in their region, sub-region or city. This allows them to identify the main gaps or challenges to the support system for entrepreneurship in the four main themes identified by EQUAL, from the point of view of specific groups. Policy challenges are identified from the scoring process.

The tool takes into account the opinions of four stakeholder groups: experts, policy-makers, business advisers and entrepreneurs. It examines the situation that seven groups of potential entrepreneurs find themselves in: unemployed people, women, migrants and ethnic minorities, over-50s, under-30s, people with disabilities and social enterprises.

It works in the form of a questionnaire, which is quick to fill in – it takes about 15–30 minutes – and the process is enjoyable and engages the stakeholders. It comprises ranking on a scale from 1 to 5 a set of 30 or so statements such as “businesses are regularly involved in school activities” or “entrepreneurs can easily access the mainstream business networks (Chambers etc.). The results are summarised in an easy-to-understand ‘traffic light’ matrix, which shows green for aspects that are good, yellow for average and red where things are bad. The whole appraisal can be done in less than six weeks.

The “traffic light” matrix shows out the main challenges to entrepreneurship from the point of view of disadvantaged groups. Armed with these pointers, users can click on the matrix to look up good practices developed elsewhere to meet similar challenges, in the four areas of culture and conditions, start-up support and training, consolidation and growth and access to appropriate

finance. Finally, participants can bring both elements together to design an action plan or strategy for inclusive entrepreneurship period.

The tool has been piloted in eleven regions – Wales; Berlin Mitte, Brandenburg and Rheinland-Pfalz in Germany; Asturias, Andalusia and Extremadura in Spain; Flanders, Ireland, Lisbon and Ustecky in the Czech Republic. The UK (Pendle and Northamptonshire) and Italy (Veneto and Turin) are in the pipeline. The aim is to expand the community of practice to include all those Member States and Regions that are interested in working on such action plans in the future round of the Structural Funds.

### 3.1.2. The COPIE social networking site

A study was made of various social networking websites of differing complexity, such as del.icio.us, Facebook and Second Life. It was concluded that a tool of this type would be a useful support to networking within COPIE, the Community of Practice in Inclusive Entrepreneurship.

A site at <http://inclusiveentrepreneurship.ning.com> offers an online forum for each country involved in COPIE, as well as space for sharing photographs and videos of joint activities.

### 3.1.3. The Wikipreneurship wiki

The third online tool is a wiki, at <http://www.wikipreneurship.eu>.

#### ○ **Background**

In less than a decade, the World Wide Web has become an essential tool for accessing, storing, disseminating and discussing information. Many organisations and projects – including EQUAL at European level – now use it as their principal dissemination medium, in preference to paper. At international level, it is now arguably the single most effective medium for spreading ideas in the world.

The first wave of websites took as its model the other existing media such as newspapers and then gradually, as bandwidths increased and the technical capacity for video became widespread, film. Interactivity was typically limited to searching for data in centrally compiled databases. The current wave, dubbed 'Web 2.0', extends the capacity for interactivity one step further by making not just the output but the content interactive – it is the users who create the content. This functionality has been expressed in a range of services that have been labelled "social networking". These include online sharing of web bookmarks (e.g. del.icio.us), photographs (e.g. Picassa, Flickr), videos (e.g. YouTube), music (various peer-to-peer networks) and personal information of all sorts (e.g. MySpace, Facebook, Bebo).

It has also been applied to collaboratively compile online information sources, chief among which is Wikipedia. The communally edited online encyclopaedia Wikipedia was started in 2001 and now contains over 10 million articles in 253 languages. The English language version alone, which accounts for 55% of the encyclopaedia's usage, has grown to over 2.1 million articles. Nowadays, most people are finding that a Wikipedia articles comes up near the top of a growing number of Google searches. As a leading [market research](#) company reports:

*36% of online American adults consult Wikipedia. It is particularly popular with the well-educated and current college-age students. On a typical day in the winter of 2007, 8% of online Americans consulted Wikipedia.*

To many people, it seems unlikely that an anarchic openly accessible jointly and anonymously compiled resource can be reliable, but a study of the English Wikipedia carried out by *Nature* shows that it is indeed as reliable as the Encyclopaedia Britannica.<sup>48</sup> Similarly, a comparison of the German Wikipedia by *Stern* rated it superior to *Brockhaus*. In fact being present on Wikipedia

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<sup>48</sup> *Nature* 438, 900-901 (15 December 2005). See also [http://en.wikipedia.org/wiki/Reliability\\_of\\_Wikipedia](http://en.wikipedia.org/wiki/Reliability_of_Wikipedia)



is coming to be seen as indispensable – certainly as evidence of a person's notability and almost as evidence of something's existence.

Wikipedia is the most famous wiki, but not the only one. A wiki is simply a shared online workspace which, taking the example of the MediaWiki software used by Wikipedia, provides:

- **editing** rights for a closed or open group of people
- **hyperlinking** among articles, and linking to banks of non-copyrighted images and other resources, throughout the world wide web
- the facility to **index** articles hierarchically by allocating them categories or 'tags'
- a **tracking** function that maintains a history of all changes made, enabling vandalism to be undone
- a **talk** page attached to each articles on which editors can discuss and squabble over content
- **watch lists** that make it easy to keep an eye on your favourite articles
- an **arbitration** system

Towards the end of 2007 the use of 'Web 2.0' technologies to promote inclusive and social entrepreneurship was investigated. A number of EQUAL case studies on entrepreneurship were reformatted and uploaded onto two platforms – a dedicated wiki and Wikipedia. The different problems that arose are discussed and conclusions are drawn.

It was found that:

- several EQUAL projects are already using Wikipedia
- there are significant barriers to its broad adoption
- effort is required to stimulate interactivity
- the logic of creating and publishing EQUAL results is in conflict with the encyclopaedic nature of Wikipedia.

It was therefore recommended that the results of EQUAL's work should be promulgated through two channels:

- a dedicated wiki should be set up to carry the bulk of the information. This should be structured so that messages and lessons (e.g. policy briefs) are hyperlinked to the underlying evidence (e.g. case studies on projects and products) and to explanatory articles (e.g. on the EQUAL principles);
- a user community should be animated which will continuously update the evidence base (a community of practice);

For wider dissemination, a smaller number of Wikipedia articles should be created over time, and these should be of a neutral, encyclopaedic nature so as to comply with Wikipedia guidelines.

#### ○ **Wikipreneurship**

Wikipreneurship (<http://www.wikipreneurship.eu>) is a knowledge base on inclusive and social entrepreneurship. It uses the same familiar MediaWiki software as Wikipedia. It is accumulating and structuring wisdom, evidence, conceptual definitions and project case studies covering the whole area of co-operative development, local development, local employment initiatives, black and ethnic minority business, social enterprise, microcredit and so on.

The wiki was launched in February 2008 and now has over 700 articles, many – but not all – deriving from EQUAL's work. Its aim is to capitalise on the learning that EQUAL has enabled, by building a real-time knowledge base that everyone can keep up-to-date. For instance the people running projects or social enterprises can update their own case studies – as can external evaluators, funders or other stakeholders. Individual projects can use the wiki as a platform for collaboration too.

Indexing in the wiki is very flexible and can be updated very easily to reflect changing policy interests. Each article can have assigned to it any number of 'categories'. These allow organisation by type of article – news, project, product etc. – subject – microfinance, social enterprise, local development etc. – location – countries and regions – and by relation with the entrepreneurial ladder into social inclusion. The front page is laid out to give one-click access to the major categories, and new 'tags' can be allocated at any time.

The wiki is multilingual. In fact most of the content is on English, but there are articles in German, Spanish, French, Italian, Dutch and Swedish, and several articles are in multiple language versions. It can contain not only text articles, but also photographs, PDF documents and other resources.

Wikipreneurship is open to anyone – although after some initial vandalism, users must register a user name before they can create or amend articles.

## 3.2. USEFUL LINKS

### 3.2.1. Analytical reports

- **Analysis of development partnerships:**

- round 1 business creation:

[http://circa.europa.eu/Public/irc/empl/equal\\_etg/library?l=/etg2/01\\_documents/etg2\\_2canalysis\\_2/ EN 1.0 &a=d](http://circa.europa.eu/Public/irc/empl/equal_etg/library?l=/etg2/01_documents/etg2_2canalysis_2/ EN 1.0 &a=d)

- round 1 social economy:

[http://circa.europa.eu/Public/irc/empl/equal\\_etg/library?l=/etg2/01\\_documents/etg2\\_2danalysis\\_1/ EN 1.0 &a=d](http://circa.europa.eu/Public/irc/empl/equal_etg/library?l=/etg2/01_documents/etg2_2danalysis_1/ EN 1.0 &a=d)

- round 2 business creation:

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-bc-rd2analysis.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-bc-rd2analysis.pdf)

- round 2 social economy:

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-se-rd2analysis.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-se-rd2analysis.pdf)

- **Analysis of transnational partnerships (round 1):**

[http://circa.europa.eu/Public/irc/empl/equal\\_etg/library?l=/etg2/01\\_documents/etg2\\_doc\\_summary/ EN 1.0 &a=d](http://circa.europa.eu/Public/irc/empl/equal_etg/library?l=/etg2/01_documents/etg2_doc_summary/ EN 1.0 &a=d)

- **Networking for Inclusion conference, Barcelona, May 2002: Thematic report on entrepreneurship**

[http://ec.europa.eu/employment\\_social/equal/data/document/barpreppilar2\\_en.pdf](http://ec.europa.eu/employment_social/equal/data/document/barpreppilar2_en.pdf)

### 3.2.2. Reports of inclusive entrepreneurship events

- **Should microfinance be gender specific?**

"We need micro finance for all, but it may also require special techniques to reach key groups such as women". So Maria Nowak concluded her statement in the presidential style debate titled 'one size fits all' held at the end of the two days "Gender Equality in micro entrepreneurship and microfinance in Europe" in Madrid on 13th and 14th December 2007.

[http://ec.europa.eu/employment\\_social/equal/news/200802-micromad\\_en.cfm](http://ec.europa.eu/employment_social/equal/news/200802-micromad_en.cfm)

- **EQUAL project is France's 'Social Entrepreneur 2007'**

Klaus Schwab, Chairman and Founder of both the WEF and the Schwab Foundation for Social Entrepreneurship, awarded its prize in France for the very first time in 2007. The winner was Anne-Karine Stocchetti, who was acknowledged for her achievements in the field of childcare – 24 hours a day, 7 days a week – developed in her Gepetto and Alice EQUAL projects.

[http://ec.europa.eu/employment\\_social/equal/news/200802-socent\\_en.cfm](http://ec.europa.eu/employment_social/equal/news/200802-socent_en.cfm)

- **More microfinance – an escalator out of exclusion**

The more flexible use of EU funding streams could help the microfinance sector to grow rapidly, and thus to combat problems of social inequality, a workshop at the Regional Policy Open Days in October 2007 heard.

[http://ec.europa.eu/employment\\_social/equal/news/200711-odent4\\_en.cfm](http://ec.europa.eu/employment_social/equal/news/200711-odent4_en.cfm)

- **Structural Fund possibilities for social enterprise**

Support for social enterprise at regional level can bring real dividends in terms of new jobs, social inclusion and better public services, participants at an Open Days workshop learnt in October 2007.

[http://ec.europa.eu/employment\\_social/equal/news/200711-odent3\\_en.cfm](http://ec.europa.eu/employment_social/equal/news/200711-odent3_en.cfm)

- **Better coordination to tackle urban deprivation**

'Increased flexibility of EU funding streams could increase the sustainability of efforts to tackle the growing problems of social inequalities, argued participants at a Regional Policy Open Days workshop in October 2007.

[http://ec.europa.eu/employment\\_social/equal/news/200711-odent2\\_en.cfm](http://ec.europa.eu/employment_social/equal/news/200711-odent2_en.cfm)

- **Opening up entrepreneurship to many more people**

'Communities of Practice' offer a way to take the experimental work from EQUAL forward into the next round of Structural Funds to generate inclusive entrepreneurship policies that work for all groups of society, according to one Regional Policy Open Days workshop in October 2007.

[http://ec.europa.eu/employment\\_social/equal/news/200711-odent1\\_en.cfm](http://ec.europa.eu/employment_social/equal/news/200711-odent1_en.cfm)

- **EQUAL's Tool for Inclusive Entrepreneurship: seven more supporters**

Oviedo in the North of Spain provided the venue for two days of intense discussions in October 2007 about how to extend EQUAL's "Community of Practice" on Inclusive Entrepreneurship to more Member States and Regions during the vital transition period between the old and new Structural Fund Programmes.

[http://ec.europa.eu/employment\\_social/equal/news/200711-odent1\\_en.cfm](http://ec.europa.eu/employment_social/equal/news/200711-odent1_en.cfm)

- **Parliamentary intergroup discusses social franchising**

The European Social Franchise Network, a spin-off from the EQUAL's work, was launched at the meeting of the European Parliament's interest group on the social economy in October 2007. Plans were laid to establish a new interest group specifically on this topic, and to hold a conference at the European Parliament in February 2008.

[http://ec.europa.eu/employment\\_social/equal/news/200711-socfra\\_en.cfm](http://ec.europa.eu/employment_social/equal/news/200711-socfra_en.cfm)

- **Bridging the gap between enterprise and social policy**

'Putting the heart into the Lisbon process', the EQUAL policy forum on inclusive and social entrepreneurship, held in Hanover on 4-6 June 2007, successfully brought the ideas of entrepreneurship and social inclusion together in a way not seen before. It laid the foundations of a platform for inclusive entrepreneurship in the new Structural Funds programming period.

[http://ec.europa.eu/employment\\_social/equal/news/200707-hanover\\_en.cfm](http://ec.europa.eu/employment_social/equal/news/200707-hanover_en.cfm)

- **Quality in the third sector**

The Portuguese third sector held a conference in June 2007 to exchange experiences with two key European initiatives: the way Spanish NGOs have developed a home-grown quality standard to suit their size and value-led nature, and the way the British government enthusiastically supports social enterprise.

[http://ec.europa.eu/employment\\_social/equal/news/200709-port3\\_en.cfm](http://ec.europa.eu/employment_social/equal/news/200709-port3_en.cfm)

- **Ethnic entrepreneurship: breaking the barriers**

On the 7th of March 2007 around seventy representatives of EQUAL projects, business support organisations, Danish authorities and governmental bodies as well as ethnic groups from all over Europe met in Copenhagen with the explicit aim of "breaking down the barriers" surrounding ethnic entrepreneurship.

[http://ec.europa.eu/employment\\_social/equal/news/200704-breaking\\_en.cfm](http://ec.europa.eu/employment_social/equal/news/200704-breaking_en.cfm)

- **Social enterprises: equal work and business opportunities**

A seminar in Helsinki in February 2007 aimed to contribute to the mainstreaming of good practices in social enterprise; to bring new topics into the discussion of social enterprises and their employment potential, especially for the most disadvantaged groups in the labour market and to broaden discussion by involving policy makers and other stakeholders at different levels.

[http://ec.europa.eu/employment\\_social/equal/news/200704-se-helsinki\\_en.cfm](http://ec.europa.eu/employment_social/equal/news/200704-se-helsinki_en.cfm)

- **Business and employment co-operatives – a launch pad for inclusive entrepreneurship**

Business and employment co-operatives are the latest thing to hit business incubation. Since the first was started in 1996, a wave of some 70 has sprung up. They are present all across France, have crossed the border – there are eight in Belgium and ten in Sweden – and with EQUAL's help are now spreading further afield. A conference at the European Parliament in December 2006 has strengthened their position on the policy map.

[http://ec.europa.eu/employment\\_social/equal/news/200702-bec\\_en.cfm](http://ec.europa.eu/employment_social/equal/news/200702-bec_en.cfm)

- **Social economy answers for local development**

Local development was the theme of the second in the series of mainstreaming platform in EQUAL's social economy theme, held near Rome in December 2006. Cases from four countries showed how the social economy can provide an excellent response to the intractable problems of structural change, unemployment, addiction, migration and depopulation.

[http://ec.europa.eu/employment\\_social/equal/news/200702-tivoli\\_en.cfm](http://ec.europa.eu/employment_social/equal/news/200702-tivoli_en.cfm)

- **Asking the right questions**

The 300 people at the "Everybody's Business" conference, held in Örebro in central Sweden in November 2006 could compare and contrast ways of assessing the economic costs and benefits of social economy approaches. Standing out from the throng is the 'socio-economic reporting' method applied to social co-operatives in Sweden, which shows astounding positive social returns.

[http://ec.europa.eu/employment\\_social/equal/activities/etg2-07-se-orebro\\_en.cfm](http://ec.europa.eu/employment_social/equal/activities/etg2-07-se-orebro_en.cfm)

- **Innovative approaches for opening up entrepreneurship to all**

A workshop at the European Week of Regions and Cities/Open Days in October 2006 looked at the some of the lessons from nearly 300 EQUAL partnerships that have been working on innovative approaches to opening up entrepreneurship to all.

[http://ec.europa.eu/employment\\_social/equal/data/document/200610-opendays-entrep.pdf](http://ec.europa.eu/employment_social/equal/data/document/200610-opendays-entrep.pdf)

- **France takes a deeper look at Social Enterprise**

AVISE, France's leading support body for the social economy wants to stimulate the growth of social enterprise. At its seminar in July 2006, participants got the chance to compare contrasting models from round the world, with their varying emphasis on the individualist and collective dimensions.

[http://ec.europa.eu/employment\\_social/equal/news/200611-se-avise\\_en.cfm](http://ec.europa.eu/employment_social/equal/news/200611-se-avise_en.cfm)

- **Social economy proves its worth in Warsaw**

EQUAL enriched the ground for a renaissance of the social economy in Poland by showcasing some of the most successful achievements in this theme in the first round of EQUAL. Hosted in Warsaw on 10-12 May 2006, the *Social Economy – a Model for Inclusion, Entrepreneurship and Local Development* seminar covered four key aspects of the social economy – relations with the state, business growth, support and the users.

[http://ec.europa.eu/employment\\_social/equal/news/200606-se-warsaw\\_en.cfm](http://ec.europa.eu/employment_social/equal/news/200606-se-warsaw_en.cfm)

- **Building the tools for opening up entrepreneurship to all**

At the end of March 2006, 65 representatives from 12 Member States met against the historic backdrop of the first Dutch stock exchange in Amsterdam to discuss how entrepreneurship could be made more accessible for EU citizens from all backgrounds.

[http://ec.europa.eu/employment\\_social/equal/news/200605-etg2-adam\\_en.cfm](http://ec.europa.eu/employment_social/equal/news/200605-etg2-adam_en.cfm)

- **Getting best value – an EU colloquium on social enterprise and public procurement**

Thinking on how to deliver better public services through partnership with social enterprise has really moved on during the first round of EQUAL, a high-profile seminar held under the British presidency of the EU in October 2005 showed. Three examples from around Europe show how public authorities can get more for their money by dealing with social enterprises.

[http://ec.europa.eu/employment\\_social/equal/data/document/etg2-med-093-procurement.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-med-093-procurement.pdf)

- **Business Support for All & Access to Finance for All**

The European Thematic Group on Entrepreneurship for All organised two working groups meetings in June 2004 in Brussels.

[http://ec.europa.eu/employment\\_social/equal/news/20040629-business-support\\_en.cfm](http://ec.europa.eu/employment_social/equal/news/20040629-business-support_en.cfm)

- **Strengthening the Social economy**

The *Strengthening the Social Economy* conference, held in Antwerp in May 2004, was the major event bringing together those active in the social economy in the first phase of the EQUAL Community Initiative.

[http://ec.europa.eu/employment\\_social/equal/activities/20040510-antwerp-conf\\_en.cfm](http://ec.europa.eu/employment_social/equal/activities/20040510-antwerp-conf_en.cfm)

- **Making Entrepreneurship Accessible to All**

The Entrepreneurship for All ETG held a European seminar in London on 5 & 6 June 2003 to identify good practice in opening up a life in business to women, young people, ethnic minorities and disabled people, and considered joint action for improving existing schemes and actions by using innovative solutions developed under EQUAL.

[http://ec.europa.eu/employment\\_social/equal/activities/20030605-london-busi\\_en.cfm](http://ec.europa.eu/employment_social/equal/activities/20030605-london-busi_en.cfm)