

THEMATIC GUIDE FOURTEEN

Social Economy

AND

Sustainable Rural Development



THEMATIC GUIDE FOURTEEN

SOCIAL ECONOMY AND SUSTAINABLE RURAL DEVELOPMENT

EURACADEMY THEMATIC GUIDE SERIES

EURACADEMY ASSOCIATION

European Academy for Sustainable Rural Development

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“Social Economy and Sustainable Rural Development”

Joint Publication of

EURACADEMY ASSOCIATION

**European Academy for Sustainable Rural Development
and**

Széchenyi István University Győr

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Published by Széchenyi István University, Győr, December 2021

ISBN 978-615-5837-97-5

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Preface

The Euracademy Association is a pan-European, non-profit membership organisation devoted to capacity building of rural communities in Europe. The Euracademy brings together planners, researchers and practitioners of rural development from a host of European countries. The Summer Academy on a theme pertinent to sustainable rural development is organised every year in a different location; furthermore, a Thematic Guide is published every year on the same theme as the Summer Academy. In addition, the Euracademy organises conferences, undertakes research and coordinates EU funded projects with a view of building a body of knowledge on sustainable rural development. These activities aim to prompt lifelong learning opportunities amongst members of rural communities by using a variety of educational means.

This is the fourteenth Thematic Guide in the Euracademy series. It exploits the lectures, case studies and discussions from the 15th Summer Academy in Mouzaki, Karditsa, Greece, from 16th to 23rd July 2016, which was organised in cooperation with the Karditsa Development Agency ANKA.

This Thematic Guide aims to provoke the reader's thinking on such questions as:

- What is social and solidarity economy and social enterprise?
- How does social enterprise differ from other forms of enterprise, how is it defined and what is meant by “values based entrepreneurship”?
- What kind of benefits do social enterprises, rural cooperatives and the wider social economy bring to rural areas?
- What are the preconditions for setting up rural social enterprises and how can the startup process be supported and what tools are required by rural communities to enhance these processes?
- Who can support the social economy development process? What is the role of national and local authorities, Local Development Agencies, NGOs and local enterprises?
- How do we define a “social enterprise eco-system” and how best can it be operated?
- What can we learn from examples of best practice across Europe?
- What are the links between rural social enterprises and social innovation?

The target group for this Thematic Guide includes managers and staff of social enterprises and co-operatives based in rural areas; managers and animators of rural development based in Local Development Agencies; local and regional authorities or similar organisations, including NGOs; rural businesses; policy and decision makers; and researchers, academics, training providers, students and experts in related fields.

For the Euracademy Association, this issue is part of the broader challenge of sustainable rural development. It inevitably cross-relates to, or overlaps with, themes of previous Summer Academies, such as:

- Diversification of Rural Economies and sustainable Rural Development in the Enlarged Europe
- Education and Lifelong Learning for Sustainable Rural Development
- Culture and Sustainable Rural Development
- Sustainable 2020 for Rural Environment in Europe
- Local Governance and Sustainable Rural Development
- Sustainable Agriculture and Rural Development: an integrated approach
- “Social Innovation and Sustainable Rural Development”

The Euracademy Association

Chapter 1

How does the social economy operate?

Introduction

This chapter provides a detailed definition of social economy and its main tool, social enterprise. It provides an overview of both the theoretical and operational issues that surround the social and solidarity economy, and draws a picture of the main features of social enterprises, their position in the overall rural economy, the challenges they face, and their importance as agents of social innovation and sustainable rural development.

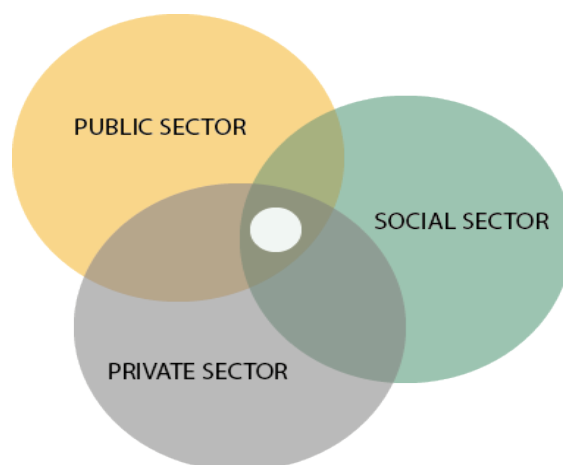
Chapter 1.1

Defining Social Enterprise across Europe

Dr Roger Evans, Specialist, Estonian University of Life Sciences, Estonia, and
Carmen Paunescu, Professor of Entrepreneurship at the Bucharest University of Economic Studies
(ASE), Romania

What is Social Enterprise?

Social enterprise lies at the heart of the **social economy**. As a new emerging form of doing business, social enterprise is found at the intersection of public (government), private (for-profit organizations) and social sectors (non-governmental organizations) (Fourth Sector Network, 2009). Nowadays, governments, the public sector and the private sector have started to work together to address the social challenges by offering innovative, sustainable, and efficient solutions to social needs (Engelke et al., 2015).



Social enterprises are businesses that **trade in the market** for a **social purpose**. They are for-benefit entities that have twin aims of equal importance: a commercial aim and an explicit social and/or environmental aim (European Commission, 2011). They fulfil their mission by tackling the most pressing problems by providing a social or ecological product or service, or by targeting people in low-income markets. As such, social enterprises trade to tackle social problems, improve communities, people's life chances, or the environment. They make their money from selling goods and services in the open market, but they reinvest their profits back into the business or the local community (Hudon and Périlleux, 2014). So when they profit, society profits.

What differentiates social enterprises is that their social mission is as much the core to their success as any potential profit. Thus, there are, broadly speaking, **three common characteristics: explicit social aims, commercial activity, and social ownership**.

- **Explicit social aims.** There is a clear social purpose which drives the organization or business. This explicit social aim is core to the activities, rather than incidental. Any profit that the business makes is reinvested into the purpose of the social enterprise.
- **Commercial activity.** The venture aims to derive a significant portion (more than 50%) of its income from commercial contracts or the sale of goods and services to a market. The organization may still however generate income from a variety of other sources such as local government grants, donations, etc.
- **Social ownership:** There is community accountability either through a co-operative structure or management by voluntary trustees.

Social enterprise offers an alternative model for conducting business. It is a **dynamic way** of doing business that **can transform communities** and **drive profound and lasting social change**. As businesses that **maximise community benefit over personal financial gain**, social enterprises **deliver solutions that are bigger, better, bolder and fitter**.

- **Bigger** - because they deliver joined-up social, environmental and economic outcomes
- **Better** - because they are community-focused and sustainable
- **Bolder and fitter** - because their independence enables social enterprises to be innovative

Therefore, social enterprises are **dynamic, progressive** businesses that we can all learn from. They **experiment and innovate**, and have the advantage of being able to draw upon best practice in the voluntary sector, as well as the **entrepreneurial** flair that exists in the best of our companies. The solutions delivered by a social enterprise are community-focused, innovative, ambitious, sustainable, and have a mixed impact: social, environmental and economic.

Entrepreneurial readiness

Creation of a social enterprise is a good opportunity for young entrepreneurs who want to test their entrepreneurial readiness and prove that, without having substantial capital to spare, they are able to enter the business world and create employment, offering at the same time a service to their communities.

Social enterprises have the advantage of being able to draw upon best practice in the voluntary sector as well as the entrepreneurial flair that exists in many successful companies in order to benefit from financing opportunities that are available to them.

As with all companies, social enterprises face considerable challenges in starting up. However, these are compounded by the need to balance their social aims with the need to demonstrate a sound commercial plan for earning an income.

These challenges can be summarised as follows:

- **Securing investments** (which are in small amounts, rare and difficult to obtain)
- **Scaling-up** (start-up costs may be higher)
- Managing the needs of an often **broad range of stakeholders**

While these difficulties may appear insurmountable at times it should never be forgotten the many benefits that come from social enterprise:

- **Improvement of the social conditions of low-income people**
- **Community regeneration**
- **Creation of employment opportunities**
- **Broadening of good governance:** openness and responsibility in decision-making
- **Provision of services to communities**

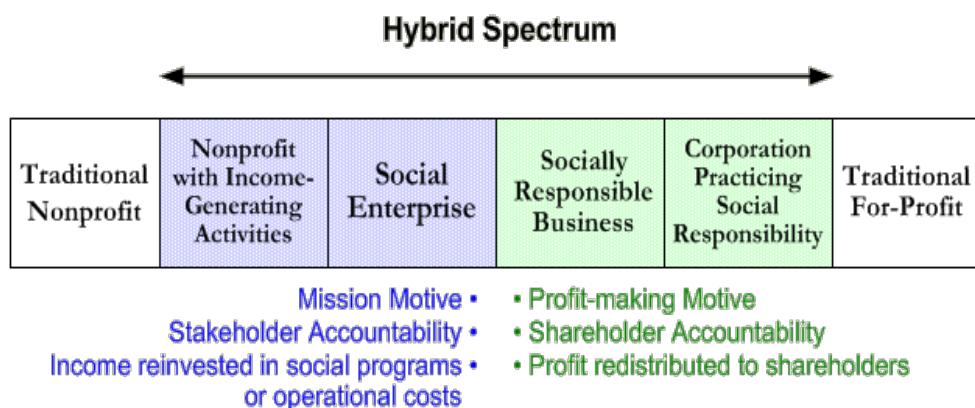
Thus, as a result of its operations, it is expected that a social enterprise maximizes community benefit over personal financial gain of stakeholders; improves low income people's life chances, choices, and their overall social condition; regenerates communities; creates employment opportunities and/or maximizes environmental benefits (Dawans et al., 2010; Zografos, 2007).

Hybrid Spectrum

The so-called Hybrid Spectrum of enterprise means that part of it is for-profit and another part is non-profit. It includes four types of Hybrid Practitioners.

On the right hand side of the spectrum are for-profit entities that create social value but whose main motives are profit-making and distribution of profit to shareholders.

On the left hand side of the spectrum are non-profits with commercial activities that generate economic value to fund social programs but whose main motive is mission accomplishment as dictated by the stakeholder mandate.



Source: <http://www.4lenses.org/book/export/html/81>

The importance of social enterprise

There is an increasing popularity and interest in the social economy enterprise model of business in Europe and across the globe. In Europe, about 3.5 million jobs are provided by social economy enterprises, delivering a broad range of services (Social Economy Europe, 2014).

Up to 160 million people in Europe are members of social economy enterprises (https://ec.europa.eu/growth/sectors/social-economy_en), covering a wide range of industrial sectors including: retail, banking and agricultural cooperatives, mutual societies offering social services complementary to social security regimes, education, health care, transport and many others.

Social economy enterprises contribute significantly to the delivery of European Union priorities across a range of areas and sectors including: employment, social cohesion, regional and rural development, environmental protection, consumer protection, agriculture, third countries development, and social security policies.

Social economy entities are mostly (though not entirely) micro, small, and medium-sized enterprises (SMEs).

Forms and types of social enterprise companies

Social enterprises include a wide range of company structures and vary greatly across Europe according to both national legislation and social traditions.

These forms include but are not restricted to the following:

- cooperatives,
- development trusts,
- community owned companies,
- community interest businesses,
- employee owned businesses,
- credit unions,
- intermediate labour market companies (including social firms/WISEs*),
- registered social landlords,
- trading arms of charities.

Also, there are an increasing number of hybrid versions of the various approaches to social enterprise.

****WISE: Work Integrated Social Enterprise***

Social economy enterprises operate across a wide range of business sectors, such as education, environment, health care, transportation, hospitality, tourism, catering, housing, finance, ICT, and other sectors. A social enterprise could be involved in the delivery of various services: work integration and sheltered employment for disadvantaged and excluded, individual social services of

general interest for elderly, abandoned children and people with disabilities, local development of disadvantaged areas, research and innovation, recycling, environmental protection, culture preservation, consumer safety, fair trade promotion, etc. (Social Economy Europe, 2014).

Financing

Funding and revenue income sources for social enterprises include most of those targeted towards traditional enterprise with the exception of investments made for the sole purpose of receiving a share of profits in the form of a dividend (in the UK a form of social enterprise called CIC [Community Interest Company] has been established with an asset lock which enables investments and a strictly limited distribution of trading surplus to investors) (Bailey, 2012).

Sources of income (revenue) include but are not limited to:

- retail sales / services sales
- catering and canteen sales
- participation and support funding
- training/mentoring funding
- membership fees
- subscriptions and donations
- renting / leasing

Additional non-revenue income sources can include:

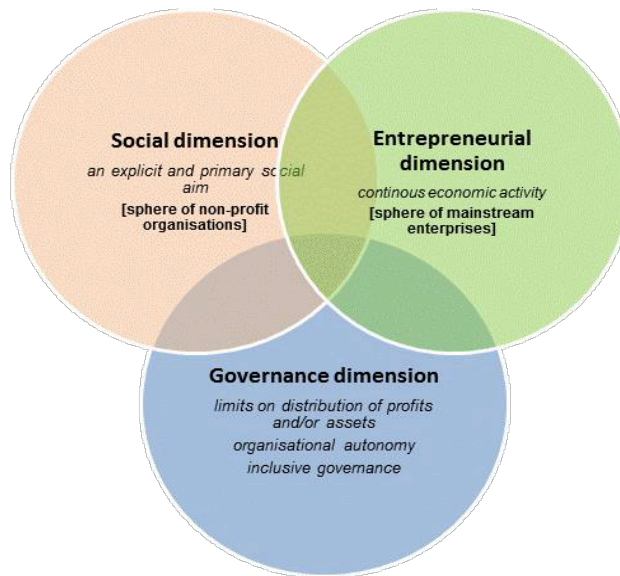
- grants and social investment providers
- donations for specific purposes
- loans
- grants
- social impact bonds
- joint ventures

Mapping of social enterprises and their ecosystems in Europe (Map of social enterprises and their ecosystems in Europe. European Commission, December 2014)

This study developed an operational definition of social enterprise based on the **European Commission's Social Business Initiative** that could be used to:

- **distinguish** social enterprises from mainstream enterprises and traditional social economy entities; and
- **map** social enterprise **diffusion** and **activity**

across 29 countries with different economic and welfare contexts, traditions and social enterprise development pathways.



The following core criteria were established:

- The organisation must engage in economic activity: this means that it must engage in a continuous activity of production and/or exchange of goods and/or services;
- It must pursue an explicit and primary social aim: a social aim is one that benefits society;
- It must have limits on distribution of profits and/or assets: the purpose of such limits is to prioritise the social aim over profit making;
- It must be independent, i.e., organisational autonomy from the state and other traditional for profit organisations;
- It must have inclusive governance, i.e., characterised by participatory and/ or democratic decision-making processes.

The lack of standards and consistency used in European classifications of social enterprise creates problems in creating a clear picture of all that they do.

A broad typology might look like this:

- Social and economic integration of the disadvantaged and excluded (such as work integration and sheltered employment);
- Social services of general interest (such as long term care for the elderly and for people with disabilities, education and child care, employment and training services, social housing, and health care and medical services);
- Other public services such as community transport, maintenance of public spaces, etc.;
- Strengthening democracy, civil rights and digital participation;
- Environmental activities such as reducing emissions and waste, renewable energy;
- Practising solidarity with developing countries (such as promoting fair trade).

Social: aims, objectives, values

Social Aims

Social purpose beyond profit making that is core to the activities rather than incidental.

Social Objectives

Social aims that are specific, measurable, and realistic, which may have targets attached to them.

Social Values

Principles that we use to determine our behaviour and, in the context of social enterprise, inspire social entrepreneurs and enterprises. Examples of values, which underpin the behaviour of staff, owners and stakeholders in social enterprise, include:

- participation and empowerment
- equality
- environmental sustainability
- good, safe, satisfying, interesting work
- fair pay and good employment practices
- development, skilling, education and training
- ethical behaviour
- a commitment to communities
- safe, healthy, good quality, user focused products and services
- transparency and trust
- co-operation between enterprises

Ethical behaviour in social business

Ethical behaviour	Unethical behaviour
<ul style="list-style-type: none">• honest accounting and tax calculation• paying suppliers on time• providing quality goods and services• keeping promises• treating members, staff, customers and suppliers with courtesy, dignity and respect; conserving natural resources and protecting the environment	<ul style="list-style-type: none">• using insider knowledge or confidential information for personal gain• buying poor materials and equipment because there is some kind of payoff from the supplier• side-stepping rules and regulations, such as health and safety because it is cheaper and more convenient to do so• miscalculating invoices and hoping customers won't notice• providing misleading information in order to win contracts• making false claims about products or services• adjusting business expense accounts in order to make a personal profit

According to the definition of ICA (International Cooperative Alliance), *“a cooperative is an autonomous association of people united voluntarily to meet their common economic, social and cultural needs through a jointly owned and democratically controlled business.”* The cooperative principles (also known as the Rochdale principles) were drawn up at the Manchester Congress in 1995, and still today these are the main features of the cooperatives. (Petheő 2010) The 7 principles are as follows:

- Voluntary and open membership: cooperatives are open for everyone, without racial or religious discrimination.
- Democratic member control: the members take part in the decision-making process, they have equal voting rights.
- Economic participation of the members: the members equally contribute to the property of their cooperatives.
- Autonomy and independence: cooperatives are autonomous and self-supporting organizations, controlled by their members.
- Education, training and information: cooperatives are offering education and training to their members, maintaining the development of the cooperative.
- Cooperation among cooperatives: cooperatives are in partnership with other cooperatives at local, regional, national and international levels.
- Concern for community: cooperatives work on the continuous maintenance and development of their community. (G. Fekete 2013)

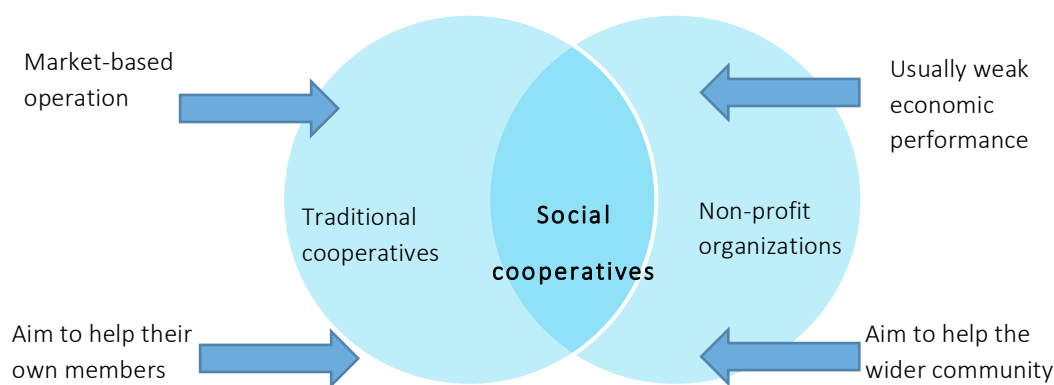


Figure 1. Understanding social cooperatives

Source: based on Nyssens (2006), Petheő 2010

According to the theory of Marthe Nyssens, social cooperatives, as a form of social enterprises, can be interpreted as a bridge between the traditional, profit-oriented cooperatives and charity non-profit organizations (Figure 1). While a traditional cooperative operates according to the laws of the market, non-profit organizations often show a weak economic performance. The main aim of the cooperatives is to help their own members, while non-profit organizations aims are usually to help a wider community. Social cooperatives can be found somewhere in between, however, the borderline is not exact and well visible. Social cooperatives are putting a higher emphasis on business risks than the non-profit organizations, which usual depend on funding. At the same time, they are taking into

account a wider and more diversified range of stakeholders than traditional cooperatives, which are usually operating only in favour of their own members (Nyssens 2006, Petheř 2010).

Case Study 1.1.1

Village Life, Romania

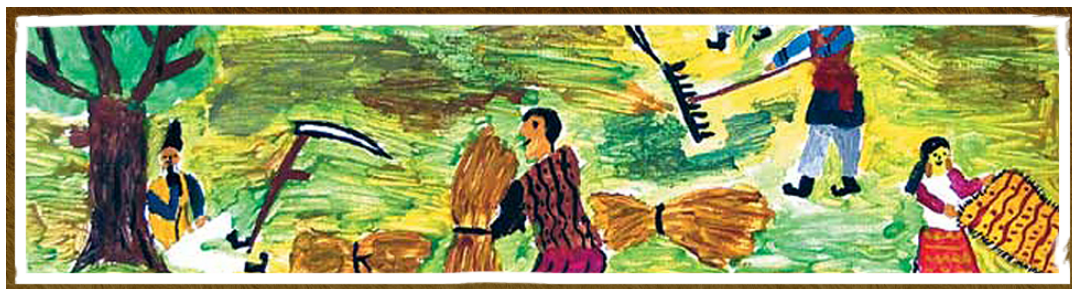
Romanian villages are a rare sight in Europe and beyond. Many are models for true environmental sustainability. However, there is little economic incentive to maintain village traditions, homes and way of life. Small-scale household farming is under pressure from industrial farms. Village Life (www.villagelife.ro) is a social enterprise meant to promote sustainable rural development by “filling the gap between what villagers can offer and what a city person needs”. It does that by connecting urban travellers willing to experiment the old world village life with villagers in the heart of rural Romania. By using the stakeholder networks, it facilitates exposure of rural beneficiaries to good practice examples from various countries and creates connections with multiple sources of know-how.

The breakthrough of village life came when they took part in a competition organised by NESsT (an incubator for social enterprises) and received a small grant that offered the opportunity to conduct their first market research on the potential of community-based travel in rural Romania. Thanks to this support, there is now more information about the potential travellers who might be interested in the offered experience, what their expectations are, as well as what is the size of this new market and who are its most important actors/stakeholders. The grant also allowed them to print necessary materials, organize small festivals and build a website.

Village Life works with community leaders from villages so that, instead of being spectators to traditional activities, travellers can become active participants. This is not only a unique opportunity to generate income for ordinary villagers who don't have any previous entrepreneurial experience, but it is also probably the most authentic experience of a Romanian village lifestyle one can get.

Keywords:

community, tourism, learning, sustainability, traditions, rural life, small enterprise, social entrepreneurship



info@villagelife.ro

<http://villagelife.ro/>

Chapter 1.2

Social and economic transformation of rural development through social and solidarity economy enterprises

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Introduction

Social and Solidarity Economy (SSE) is often cited in policy, academic and public discourse as the main driver for the necessary reconstruction of the Greek rural economy in order to move beyond the current impasse of the crisis. This paper addresses these questions by unfolding relevant debates on SSE. First of all, we define SSE and delineate differences with other concepts such as non-profit sector and social enterprises. Second, we focus on the meaning of economic reconstruction and compare it with socio-economic transformation. The latter does not entail a return to pre-crisis production and consumption patterns but opens up the debate on social needs and how these can be served better. Third, we explore to what extent SSE may be relevant in the context of rural socio-economic transformation by presenting examples in different fields. Finally, we explore the challenges and opportunities ahead for the fulfilment of these great expectations.

Academic battles on definitions

The third sector consists of entities - such as cooperatives, non-profit organizations and mutual societies that cannot be easily classified in the private or public sector (Defourny, 2001). The term itself is widely accepted by a rich array of theoretical approaches (Moulaert and Ailenei, 2005). As such, it seems plausible to use it as a starting point in order to delineate other concepts in use, namely solidarity economy, social economy, and the non-profit sector.

Schematically, the term Solidarity Economy is mostly associated with radical approaches, which emerged in the framework of social movements mainly, but not exclusively, in Latin America. Social Economy is more francophone in its origin and clearly incorporates the experience of the European cooperative movement. The term Non-profit Sector follows the Anglo-American tradition of charities.

Having sketched the main terminological issues, it is important to proceed with a critical examination of the main theoretical approaches. The Anglo-American tradition has largely focused on the emergence of Non-profit Organizations (NPOs) through the lens of orthodox economic analysis (Weisbord, 1975; Ben-Ner and van Hoomissen, 1991; Hansmann, 1987; Rose-Ackerman, 1996). As such, the third sector is analysed as distinct from both state and market without any reference to its historical dynamics in specific social formations and is theorized as a response to state and/or market failures. In contrast, theoretical approaches of social and solidarity economy analyse the associated practices as hybrids within the intersection of state, market and community practices and their respective underlying operating principles (redistribution, exchange, reciprocity). The social economy approach focuses more on the convivial nature of this interplay, while the solidarity economy approach highlights the tensions inherent therein.

The aforementioned theoretical differences are reflected in alternative conceptualizations of social enterprises in the Anglo-American and European traditions. The US-led approach defines social enterprises in a broader way (Kerlin, 2006; Kernot, 2009), placing them in a continuum of hybrid cases including Nonprofit Organizations (NPOs) trying to secure market income and for-profit enterprises developing socially responsible activities. The European tradition positions social enterprises within the universe of social economy practices as an intersection between cooperatives and NPOs (Defourny & Nyssens, 2008). In particular, social enterprises resemble more worker cooperatives and NPOs with productive activities.

In sum, there are differing conceptualizations of SSE practices in general and social enterprises in particular. These alternative visions raise in turn different expectations with regard to the role of SSE in socio-economic reconstruction or transformation respectively.

Socio-economic reconstruction or transformation?

Given the significant decrease of GDP in crisis-ridden countries such as Greece, the promotion of social economy is often linked with the restoration of economic growth. This vision of the policy agenda on social economy raises great expectations on the capacity of social economy entities to achieve multiple goals while leaving the building blocks of the growth model that led to the crisis in the first place unaffected. The comparative advantage of the solidarity economy approach stems from the fact that it opens up again the quest for socio-economic transformation (Kawano, 2010; RIPESS, 2015). Through socio-economic transformation, we address the fundamental question of production for the fulfilment of social needs.

Lebowitz (2003) has contributed significantly to the definition of social needs by offering the following insights: a) social needs are themselves the product of social production and intercourse in a given society and at a given point in time, b) within the dominant model, production is geared towards the realization of profit and not in proportion to social needs, c) there is a level of masked needs, which are needs left unsatisfied but necessary for the full development of subjectivity in each given society and at a given time. SSE as a transformative project does not just aim to restore economic activity and create jobs but to challenge the core function of production for profit instead of the production for social needs.

SSE and the rural socio-economic transformation

According to the previous framework, the selection of productive activity is also crucial with priority given to activities that have added value at the local level of rural areas. In the following we present concrete examples from different fields.

Starting from the usual suspect of rural development, namely agricultural production, we can envisage of a new role for agricultural cooperatives intending to meet local needs, increase the resilience of local communities, diversify local produce, and treat locality as a market value. It is also interesting to explore the potential for regulating precarious and informal labour relations (mainly migrant labour) as well as developing linkages throughout the system of production/circulation with other types of cooperatives (i.e., supply cooperatives with seeds and organic supplements, process plants for cooperative products). This includes market cooperatives including coop groceries that don't have middlemen facilitating access to cheap quality products for the local population.

However, a different trajectory for rural development does not have to be confined only in agricultural production. We can envisage new initiatives in other sectors, such as soft/alternative tourism, which do not impose a fake resemblance of urban centres on local communities but instead create a pole of attraction by offering new modes of living as role models; they do not construct huge luxurious hotels in remote areas but rather follow the principle of small is beautiful; explore niche markets by offering tourist services for disabled people; and create integrated systems in linkage with other social and cooperative enterprises (taverns, cafes, camping sites, etc.).

In addition, SSE can contribute to the development of much needed infrastructure, such as local cooperatives for shared internet services with supplementary training courses for local elderly residents, smart cooperative transportation in remote areas with no transportation with a special focus on population in need of health care/schooling, and energy cooperatives for the exploitation of renewable sources in order to foster the resilience of local communities.

Last but not least, SSE has the inherent comparative advantage of forging linkages and overcoming sectorial divisions as expressed in the above-mentioned examples by linking farming and tourist services through the purchase of local produce in coop restaurants and hostels, making use of coops for energy saving in other SSE enterprises, and linking transportation with social protection needs in the case of local cooperatives buses for the elderly, the disabled and the children.

Challenges and opportunities ahead

For these expectations to bear results, we need to address a number of key challenges in the Greek rural context. First of all, there is the lack of a sense of collective identity and representation on behalf of cooperatives and social enterprises. Second, there is the need to establish social auditing and reporting procedures, as well as monitoring and control mechanisms in order to limit opportunistic behaviour leading to the discrediting of the sector. Third, given the EU regulatory framework of competition, there is the limited potential of central and local authorities to exert preferential treatment in the procurement of public goods and services from SSE initiatives.

The room for manoeuvre might seem limited, but there are still opportunities for the contribution of SSE to rural socio-economic transformation. These opportunities have to do with the development of a new wave of cooperativism in crisis-ridden Greece and a solid policy interest in the field as expressed by the introduction of a new legal framework for SSE in Greece. Let's make sure that SSE does not only remain a child of need but soon becomes a source of hope.

Chapter 2

Social Enterprise as an Agent of Social Innovation

Introduction

This chapter demonstrates some ways in which social enterprise can introduce change in rural communities through building economic and social capital and by contributing to the improvement of service delivery or job creation by introducing innovative structures and methods of operation and community engagement.

Three examples are presented here: the community enterprises in the UK, the Older People for Older People (O4O) initiative in Scotland, and social cooperatives in Hungary.

Chapter 2.1

Community Enterprise: An overview from the UK

Steve Clare, Director, CYTA Consulting UK

Community enterprise defined

The UK is often seen as a leader in Europe in the field of social enterprise. There are, for example, over 70,000 social enterprises in the UK, contributing over €24 billion to the economy and employing nearly a million people. In many ways, social enterprise is thriving and it is outperforming its mainstream small and medium sized enterprise (SME) counterparts in almost every area of business: turnover growth, workforce growth and job creation, innovation, business optimism, start-up rates, and diversity in leadership.

Increasing attention is also being paid to 'community enterprises', which are often defined as a subset of social enterprise. However, there are clear distinctions between the two types. Firstly, community enterprises define their social purpose in relation to a defined population or sub-group living in a spatially defined area whereas social enterprises are not by definition tied to a specific (target) area. Secondly, unlike many social enterprises, community enterprises are built on strong local linkages and have democratic structures, which enable involvement of local people in the governance of the enterprise. They often arise from a perception that there are serious deficiencies in a particular area, which need to be addressed, and that other agencies are unlikely to provide solutions. These deficiencies may be defined in social, economic and demographic terms such as degrees of deprivation, unemployment, poor health, inadequate housing or a lack of community facilities. These perceptions motivate individuals and groups to combine together to set up community enterprises that can begin providing solutions.

More specifically, although they utilise a variety of legal forms, community enterprises share four key characteristics:

- **Locally rooted**

Typically community enterprises are place-based, as they operate within a well-defined area, usually smaller than a municipality, a place with which local people self-identify. In addition, a

majority of staff, volunteers and other stakeholders are also drawn from that local community and reflect its diversity.

- **Accountable to the local community**

The community enterprise is locally controlled, the local community has a genuine say in how the business is run (e.g., through regular consultation, membership or equity ownership) and a large majority of the management and trustees/board members are drawn from the community.

- **Trading for the benefit of the local community**

Trading profits are retained within the local area and are used to deliver local social, economic and environmental benefit.

- **Broad community impact**

The community enterprise addresses challenges in the local community e.g., unemployment, lack of training, and lack of services and facilities. A community enterprise therefore contributes to a broader sense of confidence and pride in a place.

Community enterprises, like social enterprises, have a strong commercial ethos and generate a substantial part of their revenue through trading, relying upon 'enterprise' rather than government subsidies to finance their social objectives. They are not new in the UK – there are more than 5,000 of them in England alone and some can trace their roots back to the 19th century and beyond. However, they have been attracting increasing attention over the past decade because they resonate with wider changes happening within the UK. This is evidenced most clearly by the recent decision of the National Lottery to commit some €175 million to create Power to Change (see <http://www.thepowertochange.org.uk>), an independent charity which funds community enterprises to help address local challenges, enabling them to take ownership of vital community assets and services that might otherwise disappear, or start new businesses themselves in response to local needs. At the heart of its vision is the belief that putting business in community hands makes places better.

Underpinning this investment (and the growth of alternative financing mechanisms like community shares) is the fact that community enterprise works. Across the country there are many stunning examples of rural communities taking responsibility for their futures – through village shops, sustainable energy generation, local food projects, affordable housing and much, much more. Are these communities special? Of course they are special – but they are not doing anything that could not be replicated a thousand times over if other rural communities also had that same faith, that same desire, that same belief, and that same confidence.

The wider context

The community enterprise sector in England grew by 9% in 2015 – partly because 'the time is right'. In the UK – and indeed across much of Europe - we're seeing a major change in the post-war economic and social compact. The old 'welfare state' model is broken and won't be coming back even as the economy recovers from the crash of 2008. Instead, we're seeing fundamental questions being asked about the relationship between state and citizen, state and community, who does what, and who is responsible for what? This has been reflected in the localism debate: the idea that decision-making should be pushed as far as possible down to the most local level and that local communities should take more responsibility for addressing the challenges they face (including through the development of community enterprises to deliver goods and services).

This situation is partly driven by government-led austerity and cuts in public expenditure. In England, we've seen central government funding for municipalities fall by up to 40% since 2010 and many estimate that they'll halve in size over the current decade. As a result, public services are being

slashed and leisure centres, libraries and post offices are closing across the country. Whatever the pretence, we should be under no illusion that austerity is first and foremost a political rather than an economic strategy (as we've seen only too clearly with its imposition in Greece) – but it has created an opportunity for local people to work with their municipality or use recent legislation to take ownership and/or control of land, buildings and services, and to run them for the benefit of the community (see, for example, the Localism Act 2012: <http://bit.ly/1Ex3Nek>). In many ways that is positive – there's lots of evidence that local decision-making is more effective than top-down command-and-control approaches. However, not all communities are equal in that not all communities have the same access to resources and have the same skills and capacity to respond to the withdrawal of the state – and there is a real danger that it will be the poorest communities that will get left even further behind.

Again, partly driven by austerity, there's an increasing recognition that public service reform is necessary. The traditional expert-led, top-down, one-size-fits-all approach is creaking at the seams. It can't cope with increasing demand, it is ineffective, bureaucratic and costly. Moreover, it tends to treat people in need in isolation, i.e., without understanding their social context, people's networks and support systems; and, at the same time, people's expectations have risen (partly because of the 'democratising' aspect of knowledge sharing through the internet). However, most public services (and the associated commissioning and contracting arrangements) are designed by public servants who focus on economies of scale and thereby effectively exclude small, local service providers – without understanding equally valid concepts, such as diseconomies of scale, economies of scope and economies of flow. Locality, the leading network of community enterprises in England, has forcefully addressed this argument in its 2014 publication *Saving Money by Doing the Right Thing* (see <http://bit.ly/2lcyOyi>) and subsequent campaigns.

In short, Locality argues we need to move from:

- The traditional model – led by professionals, with disempowered citizens and passive consumers TO treating citizens as equals, collaborative partners, and active co-producers
- Top down organisational decision-making TO recognising the insights of front-line staff and the public
- Delivering services TO facilitating the development and delivery of new approaches and new services
- One-size-fits-all, standardised services TO personalised, flexible, holistic, diverse solutions
- Defining people and places by problems and needs TO starting with people's assets and their potential

Out of austerity and public service reform can therefore come innovation and experimentation. Community enterprise has a key role to play in delivering this change. Through building economic and social capital, it can also build political capital, which serves to link community building, government assistance, and private investment in a neighbourhood. Indeed, political capital can be conceived as a community's ability (via locally-based organisations like community enterprises) to negotiate, set the terms of that negotiation, define what the locality will look like, and control resources that affect the ability for a place to become a productive economic and social location. In England, the government is even directly encouraging this through another provision within the Localism Act 2012, neighbourhood planning, whereby local people can create a plan that allow them to develop planning policies that reflect the priorities of their area and have real legal weight (see <http://bit.ly/2jvbuNd>).

What works in the UK

Research undertaken by the author into rural community enterprise development in the UK found that a key success factor was the ability to mobilize key stakeholders: the community, local businesses, local government, and other community organisations. In other words, success had more to do with how they worked outside the boundaries of their organisations than with how they managed their own internal operations. The enterprises studied were satisfied with building a 'good enough' organisation and then focusing their energy externally to deliver the change they sought. In addition, they exhibited ten specific characteristics:

- **Bridging the gap between service delivery and policy development**

The community enterprises may have started out by focusing on delivery but they eventually realised that they also had to impact wider policy to effect change. Most were deeply involved in various cross-sectoral partnerships and working groups to ensure their knowledge and experience shaped the wider 'political' landscape within which they operated.

- **Working with the market**

No longer willing to rely on traditional notions of charity or to see business as the enemy, the community enterprises managed an internal culture change and found ways to work with the market and develop income generation activities that contributed both towards their long-term stability and the achievement of their social goals. They saw their organisations as rooted in values and principles but recognised enterprise and entrepreneurship as a powerful mechanism to facilitate the empowerment of their communities – developing independence and resilience.

- **A commitment to quality**

None of the community enterprises I looked at were willing to accept 'second best'. This applied both to taking pride in the standard of services and facilities from which their users benefitted ("Our community deserves the best") and in meeting commitments to funders and other investors - 'delivering on promises'.

- **Accountability**

All the community enterprises were committed to consulting and involving their local communities, seeking the views and input of local people - often as volunteers. At the same time, they recognised the need to balance community with opportunity and were willing to take unpopular decisions if they were the right decisions.

- **Ambition and passion**

The community enterprises were all marked by the passion of their staff and board members. They all wanted to make a difference, they all wanted to make their communities a better place to live, they wouldn't accept second-best and they wouldn't accept 'no' for an answer. Their view was 'can do' and they'd find a way around problems rather than accepting defeat. Each of them saw something unique in their communities and something of real value that was worth fighting for.

- **Inspiring champions**

Successful rural community enterprises built strong communities of supporters who helped them achieve their larger goals. They valued volunteers and external champions not only for their time but also for their commitment. They created emotional experiences that helped connect supporters to the enterprise's vision and core values. These experiences converted people who in turn recruited others through viral marketing at its finest. The successful enterprises nurtured and sustained these supporters over time, recognising that they were not just means, but ends in themselves.

- **Investing in networks**

Many community organisations see networking as a drain on their resources, diverting them from the more important task of delivering services. However, the successful community enterprises recognised networking as an investment. They were also committed to supporting other community organisations, freely sharing knowledge and experience, and building platforms for collaboration rather than competition.

- **Embracing change**

All of the community enterprises studied were flexible and had responded positively to changing circumstances and opportunities. Some made mistakes along the way – but none believed the world owed them a living and they constantly re-invented themselves to reflect the external environment. They were able to let go of projects that had come to a natural end and instead respond to new needs.

- **Embracing risk**

Part of the shared culture change and the entrepreneurial spirit was linked to a willingness to take risks. This may have been around using loan finance, developing new services and products, or moving out of their comfort zone to achieve their objectives. If something went wrong, their attitude was to try something different rather than give up.

- **Sharing responsibilities** The ‘leaders’ of all the community enterprises exhibited charisma but they didn’t have oversized egos. They understood the idea of collective leadership, knew they needed to involve others, encouraged people to take responsibility and gave people the space to ‘fail’. They all saw their communities as a resource, a reservoir of potential that could be activated rather than a passive source of ‘problems’ that needed to be solved. They saw their challenge as helping both individuals and their wider community to take responsibility for their own futures – encouraging self-reliance and self-help.

All the community enterprises I studied displayed a majority of these ten characteristics, but they didn’t always and they didn’t all employ them in the same way. Some initially incorporated only a few characteristics and added others gradually. Yet they all converged on developing more of these characteristics, not fewer. When a community enterprise possessed all of these characteristics simultaneously, it created a momentum that fuelled further success. As one participant said: “It’s like pushing a snowball down a hill. At first, it’s hard work. But once it gets going, momentum builds and it starts rolling on its own.”

The way forward

One of my favourite quotes is from Ezio Manzini, Professor of Industrial Design at Milan Polytechnic: “Resilient systems and sustainable qualities are two elements of an emerging scenario characterised by four adjectives: small, local, open and connected.” Much of Europe’s political elite continue to parrot the war cry of former British Prime Minister, Margaret Thatcher, who declared “There is no alternative”. This is now slowly but surely being challenged by a different war cry: “There are plenty of alternatives”.

The community enterprise movement is fundamentally built around Manzini’s four adjectives: small, local, open and connected. They’re not about conventional politics or public policy. Instead, they’re about building systems for meeting everyday needs OUTSIDE the market and the state. They’re practically-minded and reality-based, reflecting a grassroots, do-it-yourself, take-charge-of-our-future kind of approach. They’re about people who are determined to open up new social and political spaces – both physical and virtual – in which people can make their own rules, negotiate their own governance, and craft solutions that are tailored to their own local circumstances. They’re

about people being free to contribute their creativity on a decentralised, horizontal scale and making a difference by taking responsibility and taking action.

However, it is important to note that community enterprise doesn't offer easy answers. There is no blueprint for success. Each community has its own unique context and therefore each community enterprise is unique. The challenge is help make people creative, to encourage and incubate ideas, to 'play the game of making better places', to experiment, to make small changes that can grow into big changes. However, there are proven solutions and these solutions can be created by ordinary people (who become extraordinary by embracing change and opportunity).

Case study 2.1.1

Glendale Gateway Trust



Glendale Gateway Trust (GGT) is based in Wooler, a small rural market town located in NE England. The resident population is less than 2,000, although the catchment area served by Wooler, as a market town, is estimated at about 6,000. Like many rural areas, Wooler's traditional prosperity was based on agriculture, however, with the decline of this industry, it has reorientated itself as a local service centre, focusing on tourism, recreation and leisure.

GGT was established in 1996 as a community enterprise with a clear mission statement: "to promote, maintain, improve, encourage and advance the prosperity and social welfare of the inhabitants of the town of Wooler and the surrounding area of Glendale." GGT's flagship project is the Cheviot Centre – a multi-purpose community building that has six core tenants (including the Tourist Information Centre) and is widely used by other local community organisations (as well as having three custom-built new business start-up units). A solar panel roof was also installed over the children's play area to provide both wet weather protection and an environmentally friendly source of energy (accounting for about 20% of energy use during the summer months). The Cheviot Centre generates over £50,000 p.a. in income, which virtually covers staff and running costs.

However, GGT quickly realised that the town was in decline and that action was needed. It was able to raise the finance required to purchase buildings at 25, 27, 29 and 33 High Street and a large parcel of land to the rear. Number 33 has been refurbished and is let to a local family. The other units are shops with housing above. The latter are now rented to local young people while the redundant shops have been brought back into commercial use, which generates £4,000 annually in rental income. Bought for £250,000 the housing units are now worth about £700,000 and they generate about £13,500 p.a. in rental income. In addition, the accompanying parcel of land was sold to a housing developer, which built 15 new affordable homes for local people, bringing over £1.6 million of investment into Wooler. Subsequently, the Trust redeveloped nine empty homes and now has a portfolio of 19 housing units.

The Trust also: bought the former co-op shop at 31 High Street for use as a retail, community and small business start-up facility; bought Wooler Youth Hostel (which was under threat of closure); taken over the local library (transferring services to the Cheviot Centre and converting the building into two housing units for older people); launched an annual music and arts festival; and created a local tourist cycle route. Although a small organisation, GGT has transformed Wooler. It is the heart and soul of the local community and now has assets worth over £2 million.

<https://www.glendalegatewaytrust.org/>

Case Study 2.1.2

Holy Island of Lindisfarne Community Development Trust (HILCDT)

The Holy Island of Lindisfarne lies two miles off the coast of north-east England. It is connected to the mainland by a road causeway, which is covered twice a day by the tide. Tourism has taken over from fishing as the main economic activity on the island, although work patterns are erratic in an industry that is mostly part-time and low paid. An estimated 500,000 visitors arrive each year, attracted by the ruins of a monastery (the 'cradle of English Christianity'), the castle and the spectacular environmental heritage.

The popularity of the island as a holiday destination has had a marked effect on home ownership. There are approximately 160 homes on the island of which over 50% are now 'second' or 'holiday' homes. This has driven up prices and young people were being forced to move away in search of work and affordable housing; this contributed to a cycle of decline. It was this desperate need for affordable rented accommodation which acted as the catalyst leading to the creation of HILCDT.

In 1998 HILCDT raised the money to purchase some land and built five new housing units. Tenant priority was given to local young people and today all but one of the tenants work on the island. In addition, the floor above the Lindisfarne Centre (see below) has been converted into two flats, which provides additional affordable rented accommodation for local families while work was recently completed on a further four affordable housing units. All properties are managed by the Trust and bring in about £25,000 per year. Later, in 2001, the former Castle Hotel was also purchased by the Trust and converted into the Lindisfarne Centre, which houses an interactive exhibition about the Lindisfarne Gospels and the Viking raid on the island in 793AD. The centre includes a gift shop and attracts 11-12,000 visitors per year and managed by a separate trading subsidiary, which generates profits of about £5,000 per year.

The Trust subsequently took ownership of the land and water within the island's inner harbour and started working with the local fishermen, looking at income generation opportunities through mooring hire, franchises and farming mussel beds, as well as generally improving the built environment with new seating, lighting, disabled access and toilet facilities. In addition the former Lifeboat Station was converted into a Lifeboat Heritage Museum and this will lead to the conversion of the former Coastguard Lookout into a visitor centre.



The Trust is led entirely by local volunteers and employs no staff. However, it has given new life back to the community; in 1996, the island's school had only one child attending, today, it has 13 children, 8 of whom live in Trust properties. This is a simple but strong indicator of the impact of investing in affordable housing and in collective action by the community.

<http://www.lindisfarnecentre.org/about-the-trust.html>

Chapter 2.2

Social Enterprise Addresses Challenges of Ageing Rural Population in Scotland

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Social innovation in public service policy

In Scotland, current policies around the provision of public services suggest a major culture shift is required away from a paternalistic dependence on the welfare state and towards citizens' participation. This may be in designing appropriate local services or participating in service provision. Policymakers suggest this will lead to outcomes including the development of interested 'citizen-consumers', individual capacity and confidence, and social capital for communities. There are more cynical suggestions that the involvement paradigm is built upon a desire to shift the cost of service provision from the government to the public. Whatever the motivation, what the government desires is social innovation. Here, we understand social innovation as a novel solution to a social problem that is more effective, efficient, sustainable, or just than current solutions. The value created accrues primarily due to society rather than to private individuals and, as such, it produces social benefits. We argue that social innovation is a specific goal of the UK governments in producing policy that promotes consumer involvement and that social enterprises introduce social innovation.

The rise of citizen involvement in UK public services has been chronicled. Needham (2007) links it to the evolution of neo-liberalism from the 1970s suggesting that disillusionment with the welfare state model led to seeking new public service models that incorporated roles for citizens. An outcome of government thinking has been to consider a role for non-state actors in delivering elements of health and social care. As a result, 'social economy' organizations, including social enterprises, increasingly provide a proportion of social services (DTI, 2002). In Scotland, the social economy contributes substantially to the economy of rural, peripheral and disadvantaged communities. The UK governments' view is that the role of the enterprising third sector in service provision could be greater. Consequently, the desire for an 'enabling state' is reflected throughout recent policies promoting the concept of the active citizen-consumer, who learns to participate in democracy and become 'empowered' through participating in local community development activities. Importantly, social enterprises are described as organisations that operate independently of the state, are specifically concerned with investment and surplus reinvestment for social objectives (DTI, 2002), and are seen as vehicle implementing community engagement policies as well as supporting service provision.

Older people - social problem or social solution?

Ageing population is a global phenomenon and in many countries a proportion of older people is increasing in relation to those that are younger and tax paying. In Scotland, population aged 65 and over is projected to rise by 62% between 2008 and 2031, and those aged 85 and over by 144%. In addition, it is worth to note that remote, rural and peripheral areas have a higher percentage of older people than more central urban regions and this is due to out-migration of younger people and in-migration of older people seeking perceived rural quality of life in their retirement.

The growing number of older people and associated service provision represent considerable and rising costs for governments internationally. Consequently, older people are generally portrayed as a burden to society and not as a group with social, cultural, intellectual and economic assets. One solution to this is to institute a range of basic services that would maintain older people living healthily and independently in their communities for as long as possible, avoiding demand on expensive specialist facilities, such as hospitals and residential care. As such, innovative solutions for providing services to older people are urgently sought. In Europe, for example, the *Göteborg Agenda* of the European Commission recognizes the challenges of providing good quality of life for this group and seeks a spirit of innovation and communitarianism in addressing the future.

Considering our discussion above, and as part of a European Union (EU) Northern Periphery Programme project, we gathered data from older people in Northern Europe regarding their experiences of current public services and what they want them to be like in the future. We presented older people's opinions to public sector service managers and policymakers by asking them how service providers should respond. A citizen-policymaker dialogue followed. Sharing opinions led to the emergence of innovative ideas, including the idea of piloting a 'social enterprise' model in communities. Younger, fitter rural older people would be asked to participate in providing a range of basic services for other older, frailer people in rural communities. 'Social profit' would be generated in terms of community capacity-building and any actual income received (through contracts with public services) would be invested in communities. As such, the O4O (Older People for Older People) project was borne and this paper presents it as a social innovation.

Older People for Older People

O4O (Older people for Older people) received an EU grant to establish a pilot project for social enterprise development in remote communities. The idea of the O4O project was that it would develop community social enterprises that would 'harness' the potential inherent in younger or more active older people in rural communities. This would be used to provide basic level services for older, frailer people in those same communities. In O4O we sought to use and explore the social enterprise model. This would mean mentoring local people in communities to develop not-for-profit businesses. The social enterprises developed were aimed at addressing the needs of individual communities. O4O social enterprises sought to supply a basic level health, social care and support, domestic and other services using the community's own resources and, at the same time, build confidence and enterprise skills among older people. O4O had two driving principles: (i) to develop services that would allow older people to maintain living independently in their communities for as long as possible and (ii) to promote older people as positive assets. As part of the project, we also wanted to explore the impact of social enterprise on individuals' health and wellbeing (both service providers and recipients), community stocks of capital (social, economic, human and institutional), and health and social care providers' activities and costs. In Scotland, the idea of O4O was presented to health service organizations, local government, housing associations, voluntary groups, regional development agencies, and departments of the Scottish Government. The idea was popular because it was considered innovative and addressed a pressing demographic issue.

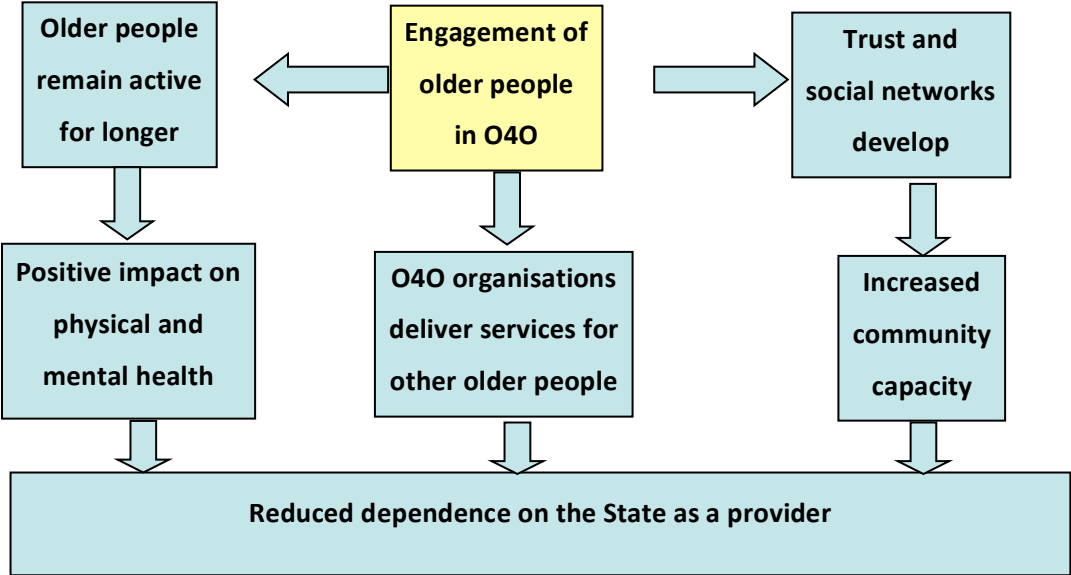
Introducing social innovation through rural O4O social enterprises

In Scotland, O4O was implemented in four remote and rural communities. Three out of four communities were successful in developing locally based O4O social enterprises. In this chapter, we present examples of two different services delivered by O4O organisations that facilitate life for older rural citizens: the example of Community A deals with the need for local transport for older local

people; and Community B establishes a model of c-creation of care services for older people, together with the local authority (see Case studies 2.1.1 and 2.2.2 respectively)

Table 1 below reveals a process of social innovation and added value creation associated with activities of O4O social enterprises.

Table 1. Process of added value creation associated with activities of O4Os



As shown, the engagement of older people in the O4O concept led to creation of O4O organisations, which support other, more fragile, older people. The support provided helps to keep older people living independently in their communities for longer. This has a direct impact on reduced dependence of the state as a provider (and, therefore, costs of service provision).

In addition, involvement in O4O organisations created trust and developed social networks, which led to increased community capacity, community resilience and less reliance on the state. Participation in the O4O also helps older people keep active for longer, which has a positive impact on their physical and mental health and healthier people require less input from health and care service providers. Thus, O4O helped in creating more resilient communities, which are less of a burden on state service providers.

Conclusions – social innovation and O4O

The findings from O4O communities suggest that social innovation and added value can be successfully generated by engaging communities in innovative business models. In order to do this through community social enterprise development *within remote and rural communities* several important elements need to be in place.

Community social enterprise must be seen as a legitimate service provider by the communities that they serve *and* the public sector that provides funding and/or commissions its services. For community social innovation to occur, citizens need to first engage with the idea of service co-design and co-production. Legitimacy with the public sector is particularly important in small, remote, rural communities where reliance on public sector grant funding and trading agreements is particularly high.

Public sector managers and commissioners need to engage with the idea of working with communities to produce services together, rather than just delivering services to communities. Within the O4O organisations, there is a need for individuals who can bridge the civic and public discourses of the community and the state. This involves the development of a relationship between communities and the public sector that is grounded in honest dialogue and acceptance of each other's strengths, weaknesses and limitations. It also involves the creation of social enterprises that negotiate a delicate balance between unmet needs and existing informal helping structures within rural communities.¹

¹ **Acknowledgements**

This chapter is based on a number of O4O related publications produced by a team of researchers working on the project. For a full description of the project, please see the references at the end of the Thematic Guide.

Case Study 2.2.1

Two Model Communities exploiting the advantages of Social Economy

Community A: Transport for all

Community A identified transport as the most pressing need. A group was established as a subgroup of a local community development company and obtained a Community Transport Grant. Initially, the aim was to provide door-to-door transport for local older people in sparsely populated remote areas. In the process, a more complex range of services was developed: an informal lift sharing scheme, a community car scheme, and demand responsive transport, which would generate income. The group now owns a number of vehicles, is engaged in business planning and in restructuring in response to growth. The project helps people to stay independent for longer as improved access to services and social networks results from better access to transport. This potentially improves physical and mental health, as people are more active and less isolated.

Community B: Co-production of community care

Community B identified the need for locally based services for older people who are unable to remain in their own homes. This was confirmed when O4O surveyed the views of older people in the surrounding sparsely populated remote area. Models of care in other remote, rural island communities were investigated and used to inform design ideas. Information was gathered about the resources required to establish and maintain a new service. Due to local authority cost efficiencies, as O4O progressed, the focus of community members changed from trying to develop an *ideal* model to establishing a *satisfactory* sustainable model that both reduced the impact of local authority service change and more closely met community needs. Rather than being recipients of local authority services, community members now co-produce services with the local council. A 'community care hub' was developed to provide social support and information services for all of the adult population, and as a venue for public and voluntary sector services. The hub has a mix of staff and volunteers and draws on several funding streams.

Chapter 2.3

Social Cooperatives as a Vehicle for Social Integration in Rural Hungary

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Understanding social cooperatives

Traditional cooperatives in Hungary have a long history, dating back to the 19th century. With the expansion of capitalism, a need had emerged for new economic entities, which would aim not only for profit, but also to address social issues, such as unemployment, weak labour markets and social exclusion. This is how the cooperative movement was born in the middle of the 19th century, with the first cooperative (called the Rochdale Cooperative) founded in 1844. In practice however, cooperatives were not profit-oriented; the main principles of their operation were solidarity amongst their members and democratic operation. The cooperatives were a success and the cooperative movement was well established by the end of the 19th century (Petheő 2010).

However, during the socialist era, there were no real cooperatives, as they became aggressive, top-down, centrally controlled organisations. This was especially true for agricultural cooperatives, as they were organised in an authoritarian way (Petheő 2010). It is no wonder, that after the end of the socialist era, this organisational form was surrounded by huge mistrust. Recently, a new cooperative movement was introduced in Hungary, when the law on modern cooperatives (social cooperatives) was passed in 2006 (Horváth 2010). A slowly but steadily growing number of social cooperatives have proved that this organisational form has returned to the country to stay, especially in disadvantaged rural areas with high rates of unemployment

Compared to traditional cooperatives, how can we define the social cooperatives of present day? According to their official definition, social cooperatives are autonomous associations of individuals, who voluntarily cooperate for their mutual, social, economic and cultural benefit. The biggest difference between traditional cooperatives and social cooperatives lies in their mission: social cooperatives are committed to providing work for unemployed, disadvantaged people, and integrating or reintegrating them into the labour market (EC 2014). Basically, the social cooperatives are operating according to the 7 principles presented in Chapter 1. However, there are some features that only apply to social cooperatives. These distinct features are the following:

- Engagement in economic activity: the sole objective of this activity is to create employment for the disadvantaged and/or improving their living conditions.
- Social mission: they have an explicit social aim, which leads either to the provision of social services, such as the care of children, elderly and disabled people, or the integration of unemployed people into the workforce.
- Distribution of profits and assets: social cooperatives are profit-oriented entities, but assets and profits have to be used for the benefit of the communities and their members, and they cannot be distributed.

Social cooperatives in Hungary

The new legislation of 2006 establishing the social cooperatives as a new organisational form, offered them certain tax advantages. Subsequently a number of social cooperatives that were established were boosted by public funds and are currently the most visible and relatively widespread form of social enterprise in Hungary (EC 2014). The reason behind this is that so far only social cooperatives were eligible to get funding through different strategic planning programs and it is basically because only the social cooperatives have a legal basis. There is no legal form of a general “social enterprise” or “social economy company” in Hungary. (However, this approach might change in the new programming period when the activity or the organization will count and not the legal form.) (Németh 2012)

All in all, the spread of the social cooperatives was made possible only by considerable – project-based – public support. The availability of public funding had a major impact on the development of the market: a large number of social cooperatives have been established throughout the country (EC 2014). In 2012 the law on social cooperatives was modified and the new type also allows for local municipality participation as a member of the social cooperative. This legislation had an effect on rural local municipalities, who started to launch social cooperatives in their territories in which they were hoping to receive a positive financial response from the state. Local municipalities have seen a great opportunity in such social cooperatives; according to a study, in 2011 there were nearly 260 operating social cooperatives in Hungary, however this number has increased enormously to nearly 2500 social cooperatives by 2015 (Németh 2012, Szenttamási 2016).

How can social cooperatives make a difference in rural areas?

The biggest problem in rural areas in Hungary is the lack of local job opportunities. The economic transition in 1990 led to a high rate of unemployment and to prolonged unemployment as well, resulting in desperation and hopelessness, especially in remote rural areas. Social cooperatives can offer a solution to this (Hortobágyi 2011). As they combine economic goals with social, educational and cultural goals, social cooperatives have strong job creation, community support and integration function. Their activities are oriented towards meeting insufficiently covered local needs by using local resources. In many cases, the presence of “local heroes” are necessary, i.e., someone (external or internal) who initiates the process. Overall, the social cooperatives have proven to be a sufficient tool that is capable of tackling social problems in a sustainable way.

Moreover, regarding the operation of social cooperatives, there is a link to social innovation that should be emphasised. This process can be two-sided. First, the social cooperatives can be considered themselves as an act of social innovation. This is the case when the social cooperatives are established in order to cover new, so far, unsatisfied local needs. Secondly, social cooperatives can operate as social innovators by creating the engines of further social innovation. Under this role, social cooperatives undertake new areas of activity, aimed at decreasing deprivation, ensuring health in disadvantaged residential areas, or decreasing spatial disadvantage (e.g., due to remoteness). To achieve these ends, social cooperatives are utilizing new, so far, unused resources, or are building new relations and networks (for example between producers and consumers or between different generations) (G. Fekete 2013). However, the question still arises: **can social cooperatives be engines of local development?**

Two different case studies will be presented in the following section that will provide examples of the operation of social cooperatives in Hungarian rural areas.

Conclusions and evaluation

The above-described case studies can serve as a basis for evaluation, showing the positive experiences and also the disadvantages and operational problems social cooperatives may face. The positive experiences can be summarized as follows:

- There is a huge local development potential in the social cooperatives.
- Their members gain self-confidence, regular income, and quality social relationships.
- Social cooperatives offer innovative solutions to the problems of the local community.
- They use the local social capital and knowledge, and they allocate local resources to meet local needs.
- They recognize the potential in disadvantaged people and provide them with community and goals.
- Social cooperatives operate in truly democratic structures.
- Knowledge transfer prevails in the social cooperatives, as usually there is a highly educated central figure with leadership experience.

From the list above, *it can be stated, that social cooperatives can have a positive effect on rural development*. However, there are also a number of disadvantages and operational problems. First of all, the financial difficulties need to be emphasized (like the problems of production, selling, lack of infrastructure, and relatively high cost of foundation). *There are huge problems with viability and maintainability*. Social cooperatives currently have no real incentives to work towards individual operation. They are still dependent on external funding after their grant project (1-2 years normally) finishes. They are generally founded by public funds or alternatively by non-refundable grants from private charities (EC 2014). Experience so far shows that social cooperatives could typically not develop into viable businesses and cannot survive without further – external – funding (G. Fekete 2013). In rich countries, social cooperatives (and enterprises in general) may be very successful in the provision of services – including tourism, cleaning, maintenance of second homes, etc. However, in Hungary the market is too small and the purchasing power is too minor to pay for many services, although there are segments where the demand is probably there (EC 2014). Besides this, another problem is that social cooperatives, as a new organisational form, are relatively unknown and the potential business partners are still mistrustful. However, there are not only external threats, as conflicts can also possibly occur inside the social cooperatives, like the lack of motivation and responsibility of the members.

Regarding social enterprises, McMurtry draws attention to three typical dangers, which he named Prometheus, the Trojan horse and Frankenstein. Due to their mission, social enterprises are willing to give advantages to the community and, accordingly, society also expects certain self-sacrifice from them. However, in the case of too much charity and self-sacrifice, they can easily get burned and destroyed, like Prometheus. The second danger occurs when the business side of the social enterprises becomes too dominant and the social aim slowly disappears. When this happens, the social enterprise, like a Trojan horse, can also ruin local enterprises. And finally, if social enterprises cannot break away from the (local) government, they will risk the original bottom-up community goals and become long-term and unsustainable (Frankenstein). These dangers are also applicable and valid for social cooperatives as well. In Hungary, as stated before, the third danger is especially current (McMurtry 2013, G.Fekete 2013).

If we ask the question, whether the social cooperatives are the only appropriate form of social enterprises, the answer is obviously no. However, social cooperatives can definitely be developed into a useful tool for rural development. The goal and the challenge is to create a competitive cooperative model that is the building block of social innovation and survives without further top-down funding. For this, volunteering and mutual trust are necessary.

Case Study 2.3.1

Agricultural type of social cooperatives

As mentioned before, in 2012 there was a modification of the law on social cooperatives in Hungary. Since then, not only individuals, but also local municipalities can be members and founders of social cooperatives. As a consequence, many rural local governments (especially small, disadvantaged settlements in remote rural areas) made steps towards self-sufficiency and established social cooperatives. The main profile of these social cooperatives is agricultural production, and the processing, marketing and selling of local products. The aim of these initiatives, organized by the local government, is to create job opportunities to develop the community and to give education to local people.

The first example is Rozsály, a small rural settlement close to the Romanian border. Rozsály stepped on the path to self-preservation not long after the transition in 1990. The main principle was to, as much as possible, produce and manufacture everything on their own. This conception was realized through many steps (for example the land program, a concrete plant, municipal land, social shop). The foundation of the social cooperative was only one step out of the many, which works effectively and is successful in the settlement. Rozsály, together with another nearby settlement, Panyola established a social cooperative, called the House of Szatmár Tastes Social Cooperative. The products that are produced and processed here (mainly jams and dried fruits) are sold in unified packaging.



Source: izekhaza.hu

By and large, the settlement is focusing on traditional agriculture. However, new innovations are being continuously introduced in connection with agriculture. Through the institutions and their development, as well as by creating a local community, the settlement is strengthening its population retention force. All this coupled with good marketing activities has led to self-preservation. This case study presents the social cooperative as one tool on the way to sustainable development. However, the commitment of the local government is very important and needs to be emphasized.

Another settlement, called Zajta, started development after seeing the success of Rozsály. Here, almost all the same developments and steps were made. Just like in the previous example, a lot of progress has taken place in the settlement from 2010 (for example, the establishment of the community centre, outdoor theatre, social shop). The basic concept is also self-preservation. The local municipality of Zajta has agricultural production on 15 hectares of land, producing primarily

fruits. Their aim is to process the fruit locally and prepare compote, syrup and jams. The settlement is planning to establish a social cooperative for fruit processing (Horváth 2013).

These settlements have started self-preservation and the main principle was to become self-sufficient, not only in terms of agriculture, but also basically in everything. In these settlements the local government is providing jobs to 140-180 people. The main achievement of the social cooperatives is the local production and the establishment of the local market. These are usually hand-made, high quality products. In this type of social cooperative the role of the local mayor has to be underlined because he acted as the local hero and he wanted to do something for his settlement by using a social cooperative as a tool. However, as previously mentioned, state support is quite dominant in the social cooperative. It is the same in the case of Rozsály and Zajta (and generally in the case of social cooperatives established by local municipalities). The national government's public employment program (START program) ensures the payment of unemployed people in the case where the local government gives public tasks (for example gardening, cleaning, etc.) to them. In most cases local governments established social cooperatives based on previous practice of the START program and often still uses state funding to cover the payment of members. However, there is a huge danger in this, as social cooperatives that rely too much on state support will never be able to become competitive and sustainable. There are also fears that since local governments can be members of the social cooperatives, this might affect independence and weaken the democratic decision-making procedures by leaving all major decisions to the municipalities. (EC 2014) However, there are also other types of social cooperatives, where the local government has no role, or only a marginal role, like in the following case study.

http://storeinsider.hu/gazdasag/cikk/peldaerteku_a_magyar_onfenntarto_falu

Case Study 2.3.2

Cultural type of social cooperatives

Bódvalenke was an extremely disadvantaged settlement with 200 inhabitants and 95% Roma population. The settlement had almost total unemployment and extreme poverty. The income per capita was less than 40 EUR/month/person. The population was uneducated with many early school leavers; there was no community and no social bonds. This is when an external local hero arrived to the settlement and established a social cooperative, called the Fresco Village Social Cooperative. ***The new and innovative idea was to create artistic Roma paintings on the walls of the houses.*** 18 Roma artists (both foreign and Hungarian) came to the village, and created altogether 33 paintings (frescos) of high quality art. The frescos became a unique tourist attraction, and this led to an opportunity for recognition and a decline in negative preconceptions. In order to be able to receive tourists, the village had to make some developments, like the liquidation of slums, creating informal educational programmes, and community building.

The results were outstanding: today there is a strong community, the village is maintained, cultural life is booming, and income is generated. The education has also improved: in 2009 24 out of 28 primary school students failed, in 2013 only 1 out of 37. Due to the success of the Fresco Village, the settlement has decided to take further steps. In 2011 the village organized the first Dragon Festival, inviting Roma musicians. Since then, this has become a regular event and brings around 1500 visitors per year, opening the settlement to the world. The settlement reached international fame and recognition, and many volunteers are attracted to work in the village. In 2013 the social cooperative also started a biomass project in which they are undertaking certain forest work. For this project, the social cooperative gathers timber, which is processed into wood chips, and sold to power plants. The aim is to employ the total male population of the village.



Source: hvg.hu²

Although the social cooperative has had an enormous development in the settlement, there are still operational problems and difficulties. The cooperative is facing underfunding, the financial resources provided by the state aid are not enough, and only ad hoc donations help sustainment. The social cooperative did not manage to bring permanent job opportunities yet, and sustainability and viability are crucial questions. The future hope lies in education (Pásztor 2014).

² http://hvg.hu/nagyitas/20131028_bodvalenke_Nagyitas_fotogaleria

Chapter 3

Providing Support for the development process and operation of social enterprises

This chapter provides two distinct examples from two countries, namely Ireland and Greece. In Ireland, the success of social economy initiatives and policies is outlined and the challenges and struggle facing social enterprises are presented in the context of national and EU policies and through specific examples that shed light at the local and regional level.

In Karditsa, Greece, the story of a local paradigm based on the concept of a Collaboration Ecosystem, supported and encouraged by an incubator resourced and run at local level, offers many practical ideas of how social economy can be promoted and how critical the role of a local development agency can be.

Finally, this chapter is concluded by a number of case studies that have been collected by the participants to the 15th Summer Academy, during their study trips in the region of Thessaly, which illustrate, first hand, the enthusiasm and the struggle of groups of producers who decided to start a social economy venture.

Chapter 3.1

Ireland's Social Economy – a story of success and struggle

Ryan Howard, CEO, SECAD Partnership

Introduction

The Republic of Ireland is possibly more dependent on the Social Economy than any other state in Europe. Volunteer based organisations proliferate in every community, rural and urban, supporting the Social Economy. They provide a range of services and impact virtually all citizens in the state on a regular basis. Much of this is attributed to the Irish sense of self-development, not waiting for the Government to provide all of the answers to socio-economic issues. There is a Gaelic word for this, 'Meitheal', meaning 'a sense of collective responsibility or a call to collective action; the coming together to help your neighbour'. Although today the use of the word 'Meitheal' is strongly linked to 'social' causes supported through a collective 'volunteer' response, the original application of the word was equally about 'economics' – the first cooperative movements in Ireland arose during the formative years of the state when workers took control of small dairy processing plants (creameries). They saw the owners of these businesses taking all the profits without investment in the staff, suppliers or local community. This was 'Meitheal' and today it would also be called 'Social Enterprise'.

The importance of the social economy is therefore embedded into the social history of the state.

Given the scale of this social economy and its importance in terms of provision of important services to so many of its citizens it would be expected that the Republic of Ireland would be a world leader in the development of 'social enterprise'. However the opposite appears to be the case with Ireland recording some of the lowest levels of social enterprise in Europe.

This chapter will outline and review in an Irish context:

- The success of the social economy
- The challenges facing volunteer based services and limitations of this model in meeting future needs and challenges; what role social enterprise might play in this context
- Why are there low levels of social enterprise emerging and related barriers to growth
- The role and perspective of Local Development Groups in supporting social enterprise

The Success of Ireland's Social Economy

As outlined, the social economy impacts virtually every citizen of the Irish Republic on a regular basis. Yet many Irish citizens would not recognise the term 'social economy'. It is not part of the language of the volunteer, policy makers or services of the state. However everyone recognises the voluntary sector and the huge role that volunteer based groups play in providing an extensive range of services within communities. It is a feature of Irish life that is strikingly different than in most other countries.

Some of these community volunteer led projects started as a reaction to a lack of 'fair' services such as the development of the Credit Union and Dairy Agricultural Cooperatives during the formative years of the state. Others have developed perhaps as a result of a lack of local government presence within communities or because many of the basic services offered to citizens in most developed countries were not provided by the state. Community services include childcare, playschools, after-school care, youth clubs and centres for young people, sports clubs and associations, sports fields, community amenities (playgrounds, cycling/walking trails, etc.), community halls and facilities, a food-care programme for people living alone and the elderly called meals-on-wheels, community monitoring services (to protect from anti-social behaviour and burglary), tidy towns, and community councils, all of which are some of the examples of Ireland's social economy.

A whole range of other services is formed on the base of volunteer boards of management and supports of volunteer workers that are also important employers in their areas. These include banking facilities (Credit Unions), Rural Transport Organisations, Regional Development Groups (Local Development Companies), Community Enterprise and Arts Centres, Community Housing Associations and even the largest children's hospital in the state depends heavily on its volunteers to maintain its viability. Virtually every school in the state is managed by an unpaid volunteer board of management.

Challenges facing the social economy and proposed solutions: Lessons learnt from Ireland

There are three major issues emerging within the social economy in Ireland, namely the dependence on volunteering based services, a growing dependency by these volunteer based groups on state grants and lack of growth of other social innovation models to deal with current and future societal issues.

Community based volunteer services are, by their nature, dependant on the 'volunteer'. As the Irish economy has developed over a twenty-year period from the mid 1980s these services have come under severe pressures. Part of this was the fact that it became increasingly difficult to find people with the time to volunteer. If there can be a positive feature of the recent recession, it was that many people returned to volunteering. However now that the economy grows again the pressure on volunteers will return.

During the 1990s the state introduced a number of 'social economy' and 'community service' grant supports – these were in effect the state's approach to promoting the emergence of social innovation and social enterprise. These 'grants' required an outcome to be delivered by community based volunteer services, such as the provision of 'community childcare'. An issue relating to these supports is that they did not encourage service providers to create a 'margin' or profit, and in some cases grants are provided on the basis that the services offered could not compete for 'other' fee paying work as this may be perceived to be interfering with the private sector. Thus these organisations and services became dependent almost solely on annual grant incomes from the state.

There is a third challenge facing the social economy in Ireland, which is how to create the conditions for the emergence of social enterprise. It could be argued that if an effective social enterprise support model were in place it could deal with the issues of volunteer fatigue, grant dependency and also provide a platform to address societal challenges outside the capacity of current structures.

The remainder of this paper will focus on social enterprise in Ireland, why it does not appear to be developing and suggested solutions to barriers that have impeded growth of this sector in Ireland. Four previously published reports are utilised in compiling this input:

(i) European Commission (2014) *A map of Social Enterprise and their eco-system in Europe: Country Report: Ireland*.

(ii) Forfás (2013) *Social Enterprise in Ireland; Sectoral Opportunities and Policy Issues*: Forfás, Dublin Ireland.

(iii) Irish Local Development Network (ILDN) and University of Limerick (2016) *Creating an enabling, supportive environment for the Social Enterprise Sector in Ireland*; www.ildn.ie

(iv) SECAD & Quality Matters (2014) *Supports required to develop the Social Enterprise Sector in the SECAD Area*; www.secad.ie

Social Enterprise in Ireland

The European Commission report on Social Enterprise activity in Ireland ⁽ⁱ⁾ states that 'a fraction of 1% of the total business population in Ireland was believed to be that of social enterprises. This would put Ireland at the very bottom of the table of European Countries in this context. However this report does make it clear that there is very poor evidence gathered to properly analyse the sector across the country. The report relied on data generated by independent researchers and social enterprise funding structures. However, even the state body responsible for education and skills called 'Forfás' ⁽ⁱⁱ⁾ recognised the lack of development of the sector noting *"In comparison to a similar-sized country such as Scotland, Ireland finds itself still lagging behind. Scotland's social enterprise employs 100,000 people where as in Ireland the figure is just over 2,000 people"*.

There is also a lack of a clear definition of what is a social enterprise and no public policy relating to the sector (noted by all four reports). The Irish Local Development Network and University of Limerick Report ⁽ⁱⁱⁱ⁾ recognises a lack of understanding and discussion about social enterprise and, as noted in the research undertaken as part of the SECAD-Quality Matter Report, ^(iv) even social entrepreneurs do not define their businesses as social enterprise, suggesting that there may be an under-representation of the sector.

The following will outline the barriers that social enterprises face and suggest solutions to these issues.

Why is Social Enterprise not blooming in Ireland?

(a) Definitions and Discussion

Issues:

The recently published Irish Local Development Network and University of Limerick Report ⁽ⁱⁱⁱ⁾ notes that there is a general lack of 'understanding the motivations, characteristics and benefits of social enterprise activity' across all sectors of society in Ireland.

The SECAD-Quality Matters Report ^(iv) noted that even amongst a group of social entrepreneurs that participated in a research study in the SECAD area '...61% of these did not define themselves as social enterprises'.

Therefore there is a task in educating the enterprise sector itself about what constitutes a social enterprise. Another challenge in educating stakeholders about social enterprise is the lack of a common definition for social enterprise.

Recommended Solutions:

Irish Local Development Network and University of Limerick Report ⁽ⁱⁱⁱ⁾ recognises that there is an opportunity for the network of Local Development Groups that provides full country coverage for the management of rural and social inclusion programmes to take responsibility for promoting the debate about social enterprises and providing 'go-to-information and support hub' for social enterprises.

It recommends a number of key actions to address this fundamental issue including:

- Development and communication of case studies and testimonials
- Identify and promote social enterprise 'champions'
- Establishing regional and national events to promote social enterprise
- Promoting a social enterprise brand

Part of this debate will be a need to agree on a common definition that could be used to improve the level of understanding of the needs and opportunities related to social enterprise development. The Irish Government seems to favour using the EU working definition; '*A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities*'.

Whilst this provides a generic definition it will need to be further developed through the stakeholders in order to develop a definition that accurately reflects Ireland's social economy, and the importance of including volunteer led services as well as encouraging new forms of socially orientated 'profit creating' enterprises to be recognised, supported and developed.

(b) Lack of Government Support

Issues:

The European Commission Report ⁽ⁱ⁾ notes that the policy debate around social enterprise started relatively later than in other EU Countries. A specific commission was established in 2010, which produced a report submitted in 2012 with a number of recommendations (included in this report) for adoption by the government including the development of key policies to support the development of social enterprise. These have yet to emerge. The

European Commission noted from its interviews a general 'lack of awareness and joined-up thinking within Government about the needs of the sector'. The Irish Local Development Network and University of Limerick Report ⁽ⁱⁱⁱ⁾ notes that government policies to support social enterprise 'have been based on a minimalist approach' and 'piecemeal in nature. Furthermore, policies developed for micro and SME's are applied to social enterprise with a focus on their business function rather than their social benefit or impact.

Recommended Solutions:

There is a glaring need for a clear set of national policies that can specifically promote the development and growth of social enterprise. The Irish Local Development Network and University of Limerick Report ⁽ⁱⁱⁱ⁾ suggests that this should take a twin approach:

1. A macro strategic perspective focusing on awareness and education, and creating supportive financial and governance environments.
2. An operational perspective in which policies focus on competency and capability development to accommodate the distinct needs of startup and established social enterprises.

The SECAD-Quality Matters Report ^(iv) recommends the inclusion of 'Community Benefit Clauses' or 'Social Clauses' in public procurement contracts as one of the key elements of future government policy to support the development and sustainability of social enterprises. The European Commission Report ⁽ⁱ⁾ notes the limitations imposed by current public procurement processes, which are seen as 'not a level playing field in access to public procurement markets which means that social enterprises are placed at a disadvantage in comparison to commercial enterprises'.

Therefore it is recommended to create 'social clauses' and also reduce the levels or sub-divide public procurements, so that social enterprises will have a realistic opportunity to compete for these contracts.

(c) Capacity Building

As recorded by each of the reports reviewed there is a capacity issue at all levels. This is considered under a number of categories as outlined below.

Policy Makers: Issues and Suggested Solutions

As recorded and noted earlier the European Commission found a lack of 'joined up thinking' when it comes to government responses to develop clear policies for social enterprise. In 2010 a 'Government Commission' was established under the stewardship of a Junior Government Minister. However this has not progressed and it is unclear within the recently established government which Government Department is now responsible.

The Irish Local Development Network and University of Limerick Report ⁽ⁱⁱⁱ⁾ strongly urges the Local Development Sector to take this issue forward with the government and to advocate with the social enterprise sector that the recommendations of the Forfás Report, ⁽ⁱⁱ⁾ *Social Enterprise in Ireland – Sectoral Opportunities and Policy Issues*, be address by Government. This would include the adoption of national policies to support social enterprise including the nomination of a state wide support agency (ideally the Local Development Sector as noted in report ⁽ⁱⁱ⁾), development of a specific funding programmes sympathetic to the needs of social enterprises, consideration for a new form of legal structure for social enterprise, and the designated responsibility for social enterprises to reside in a relevant Government Department.

Local Authorities, Support Agencies and Local Development Sector: Issues and Suggested Solutions

The SECAD-Quality Matters Report ^(iv) notes the lack of understanding and debate about social enterprise in local authorities and state agencies. This is an important element in terms of developing coherent approaches to supporting social enterprises. Local Authorities in particular are ideally placed to offer a direct support to the sector through prioritizing the allocation of local services contracts to social enterprises. However as noted in each of the reports, there is little evidence that this is being considered by Local Authorities at this time.

The Irish Local Development Network and University of Limerick Report ⁽ⁱⁱⁱ⁾ and the SECAD-Quality Matters Report ^(iv) recommend that the Local Development Sector should take a lead in developing this capacity and understanding with Local Authorities and State Agencies. The Local Development Sector has evolved over two decades providing a range of supports for community services, micro-enterprises and social inclusion initiatives. The skills base developed is therefore seen to fit directly with the needs of the social enterprise sector. The government will need to clearly support the Local Development Sector to underpin this role.

Social Enterprises: Issues and Suggested Solutions

The European Commission Report ⁽ⁱ⁾ highlights the lack of business skills in many social enterprises and the need for specifically tailored support programmes. The SECAD-Quality Matters Report ^(iv) notes that social enterprises do not have a balance of skills in their teams with a lack of staff and volunteers with business experience to balance those with community development experience. The Irish Local Development Network and University of Limerick Report ⁽ⁱⁱⁱ⁾ also notes that social enterprises need to be skilled in being 'investor ready as opposed to grant ready' and move away from 'dependency on grant and wage subsidization to a situation where social enterprises have a greater incentive to produce, generate revenue and reinvest surpluses'.

The Local Development Sector with its combined experiences of supporting community services, volunteer led services and micro/small enterprise development (through skills development and direct investment supports) should take a lead in the development of Social Enterprises in Ireland. However, the key to this being effectively employed will be a direct, overt support of the government through related National Policies.

Conclusions

As a Local Development Organisation that has created links with similar groups across Europe and other regions of the world we are delighted to bring visitors to meet with our local partner community (social economy) services. The overwhelming reaction of visiting delegations is one of 'awe' – with respect to the additionality that these volunteers bring in providing essential services for neighbours and visitors alike and often focusing on the most vulnerable. Volunteers are providing these basic services with little or minimum investment from the state. The benefits of this approach are countless but perhaps in this age of 'virtual connectivity' and 'social media' the most critical element of their existence is that these volunteer platforms are important places for communities to maintain a real connection with each other. They are often the facilitators of actions that define a

community's pride, responsiveness and sense of wellbeing. They provide the 'place' and for people to socialise, to create new bonds and to work together for a collective good.

However, these volunteer led services are under increasing pressure as the economy grows and need to consider future resourcing and management options, including those offered through developing a social enterprise approach. Equally the development of a creative and vibrant social enterprise sector in Ireland should not be solely defined by the opportunities created through volunteer led initiatives. This is both a challenging and potentially seismic period of creativity and innovation for social enterprise in Ireland, one that the Local Development Sector must demand and create its own niche as a catalyst of change for the betterment of our social and economic futures.

Chapter 3.2

Creating an eco-system for social enterprises: The “Collaboration Ecosystem” of Karditsa, Greece

Vassilis Bellis, CEO, Karditsa Development Agency (ANKA)

The “Collaboration Ecosystem” of Karditsa is a result of a long-term strategy that was launched at the same time with the establishment of Development Agency of Karditsa in 1989. The first step was the inclusion of the ‘incubator’ in its activities. The task of the incubator was to host all innovative collective initiatives or to support existing ones. In 1994 a promised cooperative was established: the Credit Cooperative of Karditsa. It was hosted in the incubator for the first two years. Four years later it transformed into the cooperative bank of Karditsa, which plays a very crucial role in the economy of the prefecture.

The incubator has until now offered support to a lot of local initiatives transformed in organizations with a variety of legal statuses: cooperatives, non-profits, associations, etc. All these local collective schemes in cooperation with existing ones formed gradually, with the support of the Development Agency, a local network that has transformed into the “ecosystem of collaboration”. Its main characteristics are:

- Its members are complementary to each other
- They are conscious that they belong to the ecosystem and know the members of it and their activities
- They try to develop and implement a common strategy (they participate in the planning of their future)
- Each member tries to cooperate in in deference to the other members of the ecosystem
- They establish common rules (code of conduct)
- They develop common services aimed at the improvement of members
- They develop support tools to facilitate the emergence of new collective initiatives

Services offered by the ‘incubator’

- Pre-start-up services: Candidate members attend meetings for support and agree on crucial points of the statute:
 - ✓ The vision, the mission, the relationships among the members and the terms of their cooperation, etc.
 - ✓ The meetings take place in the agency’s offices or even in the village where the candidate members live.
 - ✓ The results are not always successful.
- Offer of space for the head office:
 - ✓ The hosted cooperative is integrated into the everyday function of the agency.
 - ✓ A desk, a computer and an ITC connection (telephone, internet) are offered.
 - ✓ There is not a separate space.
 - ✓ Some of the agency’s executives also work for the hosted organizations.

- ✓ The organizational bodies of the hosted cooperative have their meetings in the common meeting room.
- Raising of awareness of candidate members via:
 - ✓ The organization of events all over the prefecture, in villages and cities.
 - ✓ Promotion of the initiative through the media (traditional or social).
- Raising of awareness is organized in two phases: before the establishment (in favour of social entrepreneurs) which is aimed at attracting founders; and after the establishment, which is aimed at enlarging the social enterprise
- Secretarial support:
 - ✓ Support to the administrative bodies (governing board, General Assembly).
 - Invitations management.
 - Keeping of minutes, etc.
 - ✓ Management of the members' subscription and keeping the books of members. So, when the social enterprise 'graduates' from the 'incubator' it has fully organized legal files it is obliged to keep.
 - ✓ Information on visitors who are interested in the initiative.
- Support in the developing the business plan, especially during the phase of the debate – negotiation among the members.
- Training in soft skills.
- Creating links with research centres, universities or technological institutes or specialists, depending on the needs of the SE.
- Information for available financial sources and programs.

Goals of the support services

- To eliminate or minimize the start up cost. This cost is the main disincentive putting obstacles to participation. Furthermore, in the case of unemployed people, they are unable to afford it.
- To give a boost to the enthusiasm of collective initiatives. In the most cases they feel helpless.
- To give a chance to the founders to acquire basic knowledge and skills.
- To facilitate in participatory decision making, especially in the start up phase.
- To enable the formation of a leading group competent in planning and implementing the business plan of the Collective Initiative.
- To communicate the initiative to the local society.

The current situation and results

The incubator supports or hosts currently 15 collective schemes:

- 2 civic cooperatives
- 5 agricultural cooperatives
- 3 social cooperatives

- 3 networks of family-run businesses (small or micro)
- 2 NGOs

The local “Ecosystem of Collaboration” includes in total 36 collective schemes. It should be also noted that the establishment of local initiatives has accelerated during the crisis; and 3 innovative investments carried out by new cooperatives have already being realised and their productive units are ready to start work. Moreover, the “supply chain” in 6 fields has been drastically reorganized.



Chapter 3.3

Social Economy in the region of Thessaly, Greece: Examples collected during the 15th Summer Academy

Euracademy Association

Overview

The case studies presented in this unit were selected among case studies collected by the Summer Academy participants through the study trips performed in the region of Thessaly, Greece, in the framework of the 15th Euracademy Summer Academy held in July 2016. The case studies present social enterprises and cooperatives active in the region, the products and services they provide, their strengths as well as issues they face, and draw useful conclusions on social economy in the region of Thessaly based on the findings. The conclusions are presented below.

The social economy has supported the development of the rural area of Thessaly in many ways, helping build resilience, reducing the unemployment rate and increasing the extroversion of the areas. In addition, it has provided important financial support in the fields of construction and education in local areas.

The creation of a social ecosystem network can substantially benefit the rural area of Thessaly because it provides the opportunity to:

- develop and implement a common strategy (taking part in planning the future)
- cooperate with the other members of the ecosystem and find common solutions
- establish common rules (code of conduct)
- develop common services aimed at their members or clients
- develop support tools to facilitate the emergence of new social enterprises

Therefore, through the effective operation of a social economy ecosystem, each new social enterprise may eliminate or minimize the startup cost, facilitate the participatory decision-making, especially during the startup phase, and communicate the initiative to the local society effectively.

Furthermore, some of the cooperatives visited by the summer academy participants pointed out that apart from helping their members financially and offering employment, they donate some of their products to disadvantaged people of the local society (for example “THES gala” gives free milk to orphans or poor people in the area). In addition, all these cooperatives mentioned that their work and practices respect the environment, making sure that they do not use chemicals or release industrial waste in an improper way, acting with ecological conscience in most cases.

In the development of the social economy ecosystem in the area of Karditsa, the role of the Development Agency of Karditsa has been crucial. An active and competent development agency, it has offered valuable information to social economy startups in the areas of funding resources, business planning and administrative support, and in addition has been the common contact point and networking agent for social economy initiatives in the region.

However, despite the obvious benefits for the local economy and society, through the study visits and analysis of the case studies, the participants also recorded certain problems and challenges regarding the way social economy has developed in Thessaly, as well as possibilities for improvement. The main challenges identified are listed below.

A lack of clarity about social enterprise

Interpretations of what is meant by the term ‘social enterprise’ vary significantly. For example, the Women’s Resource Centre stated that they were a ‘social enterprise’ because they concentrated on addressing ‘social issues’ – even though they were controlled by the municipality and effectively were not a trading enterprise as such. Indeed, none of the projects were able to clearly explain the key characteristics of a social enterprise, why they might be important, the opportunities and challenges, the values and principles, i.e., what might be considered ‘the basics’. There was no clear understanding that a social enterprise is a business established to address specific social ‘problems’ and that they effectively operate as a tool of social change by democratising economic relationships, through empowerment of socially excluded groups and communities, and through partnership across sectors. At the same time, whilst enterprise is a means to an end, the business still needs to generate a surplus (i.e., make a profit) if it is to be sustainable. Obsessing about definitions isn’t, however, particularly productive in the real world; the best test is perhaps to simply acknowledge that, “If it looks like a duck, sounds like a duck and swims like a duck, it’s probably a duck!”

The ‘shadow’ of the past

The past reputation and experience of corruption within cooperatives was a clear ‘negative drag’ on current and future development. Any project that was defined as a ‘cooperative’ had to deal with this legacy and often struggled to overcome prejudices generated by the historic experience, i.e., many people seemed ‘stuck in the past’. As the great economist John Maynard Keynes said, “The difficulty lies not so much in developing new ideas as in escaping old ones”. Nevertheless, there might be great benefit in trying to escape from this legacy by clearly differentiating social enterprise from what has gone before, to promote the ‘new’ as something distinct from the cooperatives of the past.

Culture

In Greece, the family is at the heart of social life. This provides the core of an immensely strong ‘social support’ network but has also contributed to a civic culture where nepotism is common and volunteering is relatively rare – and arguably has stifled innovation around addressing some social challenges. However, as we saw with a couple of case studies, this seems to be changing and of course the impact of the ‘modern’ world and different life experiences of younger people are slowly but surely delivering a new dynamic within the family situation.

Municipal enterprises

Municipal enterprises appear to be relatively common – and rarely successful in business terms. Bound by restrictive rules and legislation and often with unclear objectives (apart from being a tool at the hands of the local mayor), they again arguably stifle innovation by occupying space that could be filled more productively by entrepreneurial social enterprises.

Trust

Outside of the family environment, a lack of trust seems endemic. Cooperatives aren’t trusted, government isn’t trusted, national and local politicians aren’t trusted, national and local civic administrators aren’t trusted, and even neighbours aren’t trusted. Legislation often seems obstructive and disruptive rather than supportive and enabling. A key challenge is to build (or re-build) trust. Perhaps this has to be the primary objective for social enterprises – to persuade people that there is a different and a better way to work together.

Case Study 3.3.1

Agricultural Cooperative EF-KAR-PON



The agricultural cooperative was founded in 2012 with 117 members-farmers and was based upon an idea by a local agronomist who also became the first president of the cooperative. The cooperative went into production in 2016. Each member must possess a minimum of 5 shares (the current share price is €1,100 and is increasing) and there is no maximum number of shares per member. The members can come from all over Greece but must be landowners and in a position to cultivate at least 0.5 Ha of land – currently the land cultivated by the cooperative members is 60 Ha.

The cooperative processes super fruits like goji berries, blueberries, sea buckthorn and aronia, by the farmers-members into jam, dried fruits, fresh fruits, juice and frozen fruits. It also takes care of the packaging, distribution and sales through a network of health-focused stores and supermarkets in Greece. There are also ambitions for exporting the cooperative's products. The cooperative has entered the niche market of super foods, where although the production is low (organic farming), the product quality is high and there are high profit margins. The cooperative owns the processing facilities that were developed through an investment of €650,000 co-financed by the LEADER programme with €250,000. The cooperative benefits its members by providing income and employment, as well as long-term prospects in a difficult economic period for farmers in Greece.



Current issues the cooperative faces include problems with regard to access to finance due to the capital controls imposed in Greece due to the financial crisis, as well as issues with regard to adequate access to markets and problems regarding the cultivation process for certain fruits that are not native to Greece.

However, Efkaron plans to use the profit it is currently making to reinvest in the cooperative and later provide dividends.

Case Study 3.3.2

The sister cooperatives of cow farmers (THES Gala) and grain farmers (THES Gi), and tomato farmers (THES To) in Thessaly

The 3 sister cooperatives included in the study visits of the Summer Academy provide interesting insights on how a social economy ecosystem can benefit the local economy and inspire the creation of new social enterprises and cooperatives.

"THES gala", a cooperative of cow farmers that paved the way with innovative actions in Greece through producing cow milk and directly selling to consumers through vending machines in cities, was founded in 2011. In 2013 it started operating the first milk vending machines in the capital city of Thessaly, Larissa. In 2014 the first THES gala milk vending machines operated in Thessaloniki, and in 2015 the cooperative took the big step to being operations in Athens. Today it operates 63 vending machines for milk and dairy products (cheese, yogurt, desserts), it has completed its pasteurization



facilities while also promoting sales in smaller towns, where there is demand but the population criteria do not justify the installation of vending machines (e.g., Thermi and Perea suburbs in Thessaloniki).

In this first five years, "THES milk" has invested a total of 6 million euros and has proven that technology can be employed in the field of farming and the modern cooperative movement. The growth also brings an increase in sales, which in the year between 2015-2016 amounted to approximately 26 million euros, although investments and the reduction of the price of milk resulted in limited losses of close to

1 million euros. However, it is estimated that in the following year the turnover will increase by 15% - 20%, which will result in profit. Today "THES gala" is responsible for 7% of the consumption of fresh milk in Greece and its members produce 120 tons of cow's milk per day of which 30 tons are distributed by the Cooperative itself.

"THES Gi", the cooperative of grain farmers in Thessaly, was founded in 2013 with 30 producers, mainly young people, and today has 72 members who cultivate 3,000 Ha of land, so that "THES Gi" possesses the largest single agricultural holding and aims to exceed 10,000 Ha in the next few years while promoting contract farming with Thessalian farmers.

"THES Gi" started from grain crops, supplying the cow farms of "THES



gala" with animal feed, and moved onto producing vegetables in which they now supply the companies "Freskoulis" and "Green Food" with salads.

The future steps of the cooperative include investments in durum wheat production and releasing to the market breakfast cereals under the brand name "THES Gi" and directly distributing packaged salads under the brand name "THES Gi Fresh".

Finally, **"THES To", the cooperative of tomato farmers in Thessaly**, was established in 2012 with the purpose of producing industrial tomatoes. The cooperative also organized and monitored the production and sold it to industries.



The cooperative today has 600 members and has built partnerships with industries, cooperative banks and the Institute of Cooperative Research and Studies. The next step for "THES To" is to provide a higher level of technical assistance to every member-farmer of the cooperative in the future.

Case Study 3.3.3

Garden Creations (Social Enterprise of Trikala)

This social enterprise has 9 partners and one employee, and primarily cooperates with the municipality and private enterprises or individuals. The company was formed three years ago following a training project run by the Greek Ministry of Employment, promoting the social economy and social enterprise. The main services it provides are the design, creation and management of public green spaces, as well as services for the maintenance and support of private domestic gardens.

Currently the members do not have profits from the company; they are reinvesting the company income and adding up to 50.000 Euro from their own funds to procure equipment and especially the tools they need for bidding for a large new project to clean the surface and maintain the land surrounding solar electric panel installations.

The main challenges the social enterprise faces include handling internal disagreements in the group and coping with tax increases which for social enterprises have increased from almost zero when it started out to the same as for private companies.



Case Study 3.3.4

Mountain Club of Karditsa – EOSK (Voluntary Society)

The Mountain Club of Karditsa is a voluntary organisation with 120 members of which about 15% are women. They are mostly involved in mountaineering, cycling and caving but also carry out a wide range of voluntary activities. The main sources of income for the club are funding from the Central Government and Municipality.

The club's activities focus on the upland and mountainous areas of the prefecture of Karditsa and especially on the communities usually neglected by the rest of Greek society, e.g., small mountainous villages accessible only by dirt roads. These communities are characterised by isolation due to distance, geography and declining population, in particular young people. Counter to this, however, former residents who return and in-migrants are moving in to rejuvenate these villages.

The club organises visits to remote areas to help locate old and almost forgotten paths, and collect wood for art, musical instruments, biomass and construction. They have raised animals to restock villages and smallholdings in order to grow quality food products (free range goat milk products – fermentation for sour milk).



The club also organises for tourists trekking excursions tourists and festivals where local food is also sold for to bring in income for the villages. They are signposting the routes with trail markers and work on a route map, preparing a website to include all trails, and a GPS link for downloading location and background information.

Other volunteer activities include clearing forests of undergrowth for wild fire prevention in cooperation with the fire department, collecting waste from public places, and assisting in tree planting events.

Case Study 3.3.5

Women's Centre of Karditsa (nonprofit organisation)

The Women's Centre of Karditsa employs 12 staff including the Director, a psychologist, a social worker, nursery teachers and assistants. Their primary aim is to provide support to women, through education, protection and rehabilitation following domestic violence incidents; support them for re-entry into the work-force or entrepreneurship (women interested in progressing in work or self-employment can receive up to 20 mentoring consultations to help them find a job or create their own company); reconciliation of personal and professional life; childcare services for working mothers; and a creative space for the personal development of children.



Childcare services for vulnerable families are provided at very low cost and all materials are provided for free. The low cost is to encourage commitment, but very poor families receive services completely free; if there are any vacancies then children from other families are welcomed.

WCK are involved in many national and international European projects, including:

1. "Harmonization of Family and Professional Life", funded by the Ministry of Interior through EETAA
2. DAPHNE, «Social services - in support of Roma women and children for a life free of violence», funded by the European Commission, Directorate JUSTICE
3. DAPHNE, «WE GO! Women Economic-independence & Growth Opportunity », funded by the European Commission, Directorate JUSTICE

Previous projects include:

- "Intervention Actions of WCK and the educational community, to prevent and combat violence," sponsored by the GSGE
- TOPEKO "Employment Opportunities for All Citizens", Development Partner "ON", sponsored by the Greek Ministry of Labour, Social Security and Welfare

The majority of the members of WCK are nominated by the Municipality of Karditsa. The WCK's dependence on Municipal funds and EU funding to sustain and further develop their level and range of social services creates a feeling of financial vulnerability.

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