

# The role of cities in promoting social entrepreneurship

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More than  
**11 million**  
people in the EU work  
for social economy  
enterprises



## 1

# Introduction

The social economy and social entrepreneurship are a vital part of the European Union's economy. There are two million social economy enterprises in Europe – 10% of all businesses in the EU – and it continues to grow. More than 11 million people – about 6% of the EU's employees – work for social economy enterprises. Beyond business and profit, social enterprises aim to generate a broader positive social or environmental impact, in areas such as work, health, wellbeing, poverty, circular economy, and food safety and production.

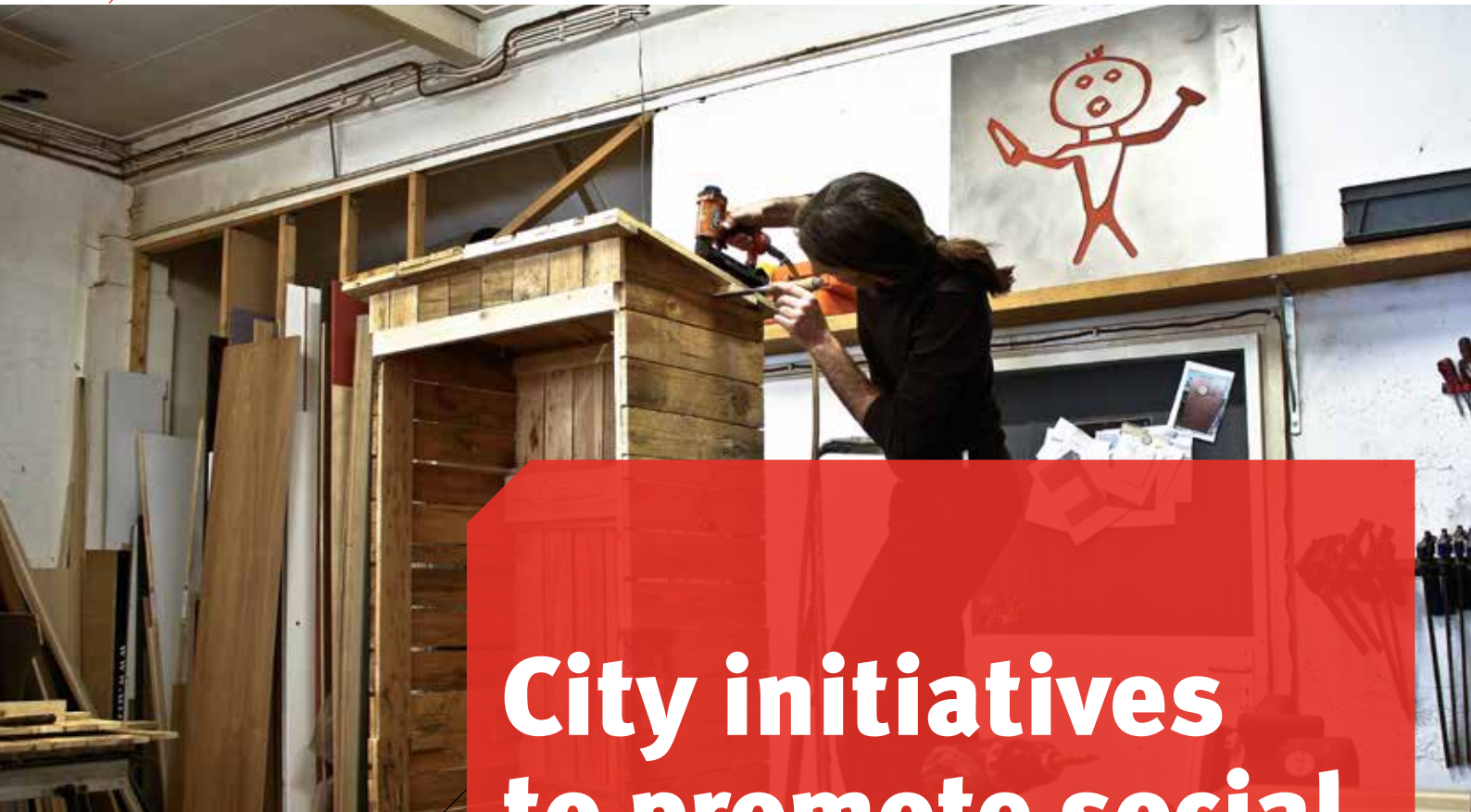
The social economy is crucial in effectively tackling the social challenges facing the EU. Many member states believe the social economy can contribute to sustainable job creation and social innovation. In December 2015, the governments of France, Italy, Luxembourg, Slovakia, Slovenia and Spain adopted the Luxembourg Declaration, agreeing on a roadmap towards a more comprehensive ecosystem for social economic enterprises. Although they reaffirmed their belief in the power of the social economy when signing the Bratislava Declaration in 2016, they also conceded, “the member states and the EU institutions still do not use its full potential”.

A strong social economy is essential to key European and national social policy initiatives. This was the message delivered by 11 member states when they adopted the Madrid Declaration in May 2017, in which they called on the European Commission to adequately finance and promote social economic enterprises in Europe and to support social innovation.

City authorities in many EU countries want to create inclusive and sustainable ecosystems. They are working together with a variety of stakeholders to develop the social economy at local level, embracing the potential of social enterprises. They believe in the value of social entrepreneurship to create jobs, integrate vulnerable groups in the labour market and advance social cohesion within communities. Cities are creating networks of actors within the social economy to experiment with innovative financial infrastructures such as social impact bonds, crowdfunding, impact hubs and digital platforms. These networks also help to raise awareness about social entrepreneurship.

EUROCITIES has collected information and good practices from cities across the EU that are promoting both the social economy and social entrepreneurship. We hope this publication will provide cities with inspiration on how they too can support their local social economy by supporting social entrepreneurs, offering them a vibrant ecosystem, and allowing them to grow and deliver significant social outcomes.

We believe cities, national governments and EU institutions can work together to exchange know-how and learn from each other on social entrepreneurship models and initiatives, which can benefit their citizens.



# 2

## City initiatives to promote social entrepreneurship

### Why do cities support social entrepreneurship?



To create a sustainable local business ecosystem



To create fair and decent jobs and inclusive labour markets



To promote community development and social inclusion



To enhance urban innovation and encourage smart city solutions from the bottom up



To experiment with new business models for cost saving and high social returns



To promote distributed, community-driven forms of social care



To promote social investment

## 2.1 Gothenburg



€500,000  
per year in  
micro-loans

### Plans for the future

A major priority for the city is to increase awareness and communicate the lessons learned. They also aim to channel the grants towards more pressing challenges, such as supporting social entrepreneurship among refugees. The city intends to promote the development of work integration social enterprises and find ways to provide more stable and continued support.

### Context

For many years now, Gothenburg's Social Resursförvaltning, the social resource management department, has been dealing with all city-related social matters. Despite the broad scope of this department, its limited budget has prevented it from implementing large-scale programmes for business development and innovation.

Through this collaboration, Social Resursförvaltning could support the development of the local social economy through a more business-focussed support system. Today, Social Resursförvaltning, among others, provides financial support and skills development opportunities to social entrepreneurs. It is also responsible for the city's action plan for the social economy. The operational budget of the initiative is €200,000 per year, with €200,000 per year awarded in grants and €500,000 per year given in micro-loans.

### Initiatives

The city, having identified the changing societal conditions locally and globally, decided to explore new ways to empower and engage social entrepreneurs to develop innovative solutions to urban challenges. In 2014, to overcome the constraints of limited resources, it invited Business Region Göteborg (BRG) to become part of this effort. This non-profit, publicly owned company advises and assists with knowledge, contacts, and infrastructure for collaboration between many levels (business, cluster, industry).

In addition, European Regional Development Fund (ERDF) funding and Integrated Territorial Investments (ITI) in Gothenburg support social entrepreneurship of refugees and residents with a migrant background. The 'One Stop Future Shop' project provides a fast-track to the Swedish labour market via a multilingual business centre. It is run by the Vastra Hisingen city district in cooperation with BRG, the Red Cross, the University of Gothenburg and other stakeholders.

## 2.2 Lisbon

### Context

Lisbon is dedicated to the development of entrepreneurship, creativity, and innovation. It takes part in the Diversity in the Economy and Local Integration (DELI) initiative to maximise opportunities to support and develop migrant business and improve social inclusion. The initiative is jointly coordinated by the Council of Europe and the non-profit organisation Migration Policy Group, which brings together 10 European cities that see diversity as a source of competitive advantage and want to improve urban governance through an intercultural lens.

## Initiatives

In the context of DELI, Lisbon created a local, multi-stakeholder discussion and cooperation platform for social entrepreneurship and immigrant companies in the city. The platform helped to map the characteristics and needs of immigrant social entrepreneurs, identifying structural barriers to the local entrepreneurial ecosystem and ways to provide support. This resulted in awareness raising in the municipality about how entrepreneurship can foster inclusion, especially for migrants who are often disadvantaged or under represented in business activities and the mainstream economy.

## Plans for the future

An action plan to promote immigrant entrepreneurship and social integration in Lisbon is currently being developed. This plan includes the development of entrepreneurs' competences and the inclusion of immigrant entrepreneurs in mainstream networks. The DELI initiative also aims to take advantage of purchasing power over goods and services to achieve socio-economic integration.



**Maximise opportunities to support and develop migrant business**



**Cooperation platform for social entrepreneurship and immigrant companies in the city**



**Development of entrepreneurs' competences and the inclusion of immigrant entrepreneurs**

# 2.3 Malmo

## Context

In recent years Malmo has become a meeting point for social entrepreneurs. The city supports social inclusion by working within companies, but also by creating social projects to work with different companies and in the idea-borne sector to highlight the importance of social inclusion and its value to society. Malmo is actively supporting the development of social innovation in the private sector through co-financing. Malmo has also been involved in several projects providing service and personnel to social initiatives.

## Initiatives

Malmo has created projects linked to social innovation as well as working together with the private and idea-borne sector in collaborative processes. For example, Malmo has hosted Socap, a giant congress on social innovation, which gathers community entrepreneurs and investors from around the world.

Initiatives that have benefited from this proactive approach include Yalla Trappan, which is a women's cooperative offering a variety of services and products to IKEA among other companies. The profits from Yalla Trappan are then reinvested into hiring women furthest from the labour market. It is of the utmost importance to the city to adopt the values of social integration, not just as a mantra but also as a way of working and living. Malmo also hosts Mötesplats Social Innovation, a national knowledge hub, where the city gathers social entrepreneurs and investors from all over the world to discuss challenges in society and how to solve them. This in turn leads companies to feel responsible and act on the basis of these values. The operational budget of the initiatives supported in Malmo amounts to approximately €1 million per year in grants.

## Future

Malmo's goal is to turn the city into a financial centre for social investment and social innovation.





## 2.4 Milan

### Context

Milan is known for its creative, research and sports industries, and reactive job market, which represent 10% of Italy's GDP. Milan also has a deep-rooted tradition in social commitment, with social entrepreneurship seen as a way to tackle exclusion and inequality. A portfolio of initiatives to develop an integrated ecosystem for social entrepreneurship leads the city's agenda. Openness and public participation are considered essential in developing solutions that better respond to local challenges.



Incubator dedicated to social businesses

**53** new businesses created

### Initiatives

There are currently three main initiatives supporting social entrepreneurship in Milan. FabriQ is the city's first incubator dedicated to social businesses – both new and existing. Jointly managed by Fondazione Brodolini and Hub Milano, it is intentionally located in Quarto Oggiaro, one of the most disadvantaged areas of Milan. Business areas supported include waste recycling, products and services exchange, bike and car sharing, and sustainable urban and rural farming. The city allocated €170,000 for the management of the incubator and €286,000 in start-up grants between 2014-2015. The second initiative, the 'Milan sharing city' action plan (2014), outlines the strategy to activate a collaborative economy in the city. The strategy looks for commitment from urban stakeholders to discuss and promote a sharing economy in the city.

The entrepreneurship hub, Cohub, where events and workshops take place, has also been provided by the city. The third initiative supporting social entrepreneurship is Milan's civic crowdfunding initiative, which promotes projects with high social impact by pooling both public and private resources. Besides supporting projects with a high social value, it promotes active citizen participation and experimentation with new solutions and innovative business models.

Milan also developed Microcredito Milano, a microfinance project, which makes loans available to both individuals and enterprises. Thanks to the initiative 53 new businesses were created in collaboration with a local foundation. These positive results have inspired the city council to launch new measures specifically for young would-be entrepreneurs.

## 2.5 Nantes



### Context

For the past 15 years, Nantes Metropole has been promoting social entrepreneurship in its metropolitan area with impressive results: the social economy currently represents 16% of the total private employment in Nantes Metropole. The authority's major partner in this effort is Ecosolies, a local non-profit organisation commissioned to promote and develop social entrepreneurship by organising and coordinating initiatives, offering support, and facilitating public dialogue and networking among local actors. Ideas to increase social entrepreneurship in Nantes Metropole are planned and implemented in a bottom-up fashion, so solutions are more relevant to local needs and more sustainable.

## Initiatives

Nantes Metropole and Ecosolies have an annual call for social entrepreneurship projects. The call finances social entrepreneurship projects focussed on local needs. Selected projects receive financial support – an average of €8,640 per project – and mentoring advice on implementation over three years. Le Solilab, Nantes Metropole's social business incubator and accelerator, is a parallel initiative supporting entrepreneurship for social and community projects. The incubator also provides spaces to support the transition: a business hotel, a collective commercial store, and spaces designed for meetings and events. Social entrepreneurs are encouraged to develop solutions that meet the development needs of different urban areas.

## Plans for the future

In the coming years, Nantes Metropole and Ecosolies plan to increase their budget to support a growing number of projects. They also aim to create synergies with other initiatives to establish an international social business cluster.

# 2.6 Porto

## Context

To promote and enhance social innovation and entrepreneurship, Porto created the Centre for Social Innovation (CIS), a multi-purpose centre promoting socially innovative projects by offering technical and logistical support in the assessment and validation of ideas.

## Initiatives

Activities pursued by CIS Porto include communication, networking, and awareness raising about social entrepreneurship opportunities across the entire stakeholder spectrum. Two groups of stakeholders have been mobilised. The first includes institutional partners, such as industries offering free technical support for the development and implementation of pilot projects in areas such as communication, marketing, logistics, information systems, human resources and business planning.



**A multi-purpose centre promoting socially innovative projects**



**Encouraging networking and good practice sharing**

The second includes recognised experts in different areas who evaluate and approve projects to support scalability, replicability, efficiency, effectiveness, viability, and resource requirements. This group also assesses the functioning and impact of CIS Porto. If projects and ideas are considered potentially innovative, meet pressing social needs and clearly add value, implementation support is provided by CIS Porto. Other initiatives include training activities, forums, and contests.

## Plans for the future

There are plans to improve and extend the services and activities of CIS Porto by providing ongoing support to participating projects, strengthening technical support by engaging and increasing the number of technical partners and enriching know-how. Other initiatives include encouraging networking and good practice sharing and expanding the strategy to involve other institutions.



## 2.7

# Rennes

### Context

Rennes started supporting social entrepreneurship in 2006, through the inclusion of social responsibility clauses in public contracts. At that time, social responsibility activities were geared towards urban renewal in deprived neighbourhoods. Since 2012, Rennes has extended this policy beyond renewal initiatives into different types of contracts and sectors, by setting up consultancy services, instigating mutual agreements among stakeholders and creating a master plan for responsible public procurement.

More recently, Rennes has renewed and widened its public policy in favour of social entrepreneurship by launching a local incubator dedicated to social enterprises, together with a permanent call open to non-profits, including cooperatives. This scheme allows new business models to address issues such as zero waste, local agriculture or green building.

### Initiatives

The 'Atout Clauses' one-stop social responsibility clause office was created in 2012, to promote the integration of social responsibility clauses in private and public sector contracts and help enterprises to achieve their social aims. Twenty-two major partners, including the French state, the regional authority of Brittany, social housing providers, professional federations, and local universities and hospitals, signed a charter committing to a 'social responsibility clause activation' policy. In 2015, Rennes went even further, setting out a 'Responsible Public Procurement Master Plan', which seeks to facilitate access to third sector economic structures for public procurement. This allowed calls for tender to be reserved for structures facilitating social purposes through economic activity, the third sector economy, and the sheltered employment sector. Since 2012, 390 contracts with a social responsibility clause have been signed and 314 enterprises and 1,212 jobseekers have benefited. The total budget for these activities amounts to €200,000 per year, of which 40% is co-financed through the European Social Fund (ESF).



**390 contracts with a social responsibility clause signed**

## 2.8

# Rotterdam

### Context

Rotterdam is the second largest city in the Netherlands with a population of around 623,000 and has the largest port in Europe. It is an entrepreneurial city focussed on enabling social entrepreneurs to start social initiatives. In 2017, the Impact Hub Rotterdam looked into the existing climate for social entrepreneurs in Rotterdam and found a growing number of social entrepreneurs with a diverse background. It also showed a growing need to bridge the gap between policymaking and social entrepreneurs' day to day concerns together with a need to up-skill them. With a primary focus on providing a social impact, skills development has become necessary to allow entrepreneurs to move from their start-up profile to a company with a resilient business model; making them less dependent on social funds.

### Initiatives


Rotterdam explored new ways for the municipality to support social entrepreneurs and create an attractive climate for them. The Impact Hub's activities are divided into four key areas. The first area is improving services, providing better digital and personal services to social entrepreneurs and a clear approach to cooperation. The municipality must streamline these services, while clarifying its own requirements as a client, allowing social entrepreneurs to change their offer accordingly. The second area, impact measurement and funding, stresses the importance of creating and showing social value.



It aims to support social entrepreneurs by allowing them to generate their own financial resources. This involves providing them with knowledge about grants, public procurement and social return on investment instruments, as well as linking them with partners, investors and networks. The third area is offering platforms and promoting social enterprises. The role of the municipality is to position itself as a client of social entrepreneurs and use their products and services as much as it can. It must also share its enthusiasm, so that these companies gain momentum, and encourage others to become customers or clients. In 2016, Rotterdam help set up MAEX Rotterdam - an online platform for social entrepreneurs to show what they have to offer and their impact. Clients can add to the network and rank the services delivered. The final area is partnering up with local stakeholders (universities, expert centres, investors etc.) in order to support, strengthen and create a positive climate for social entrepreneurs.

## Plans for the future

Rotterdam aims to build on its expertise in the areas addressed, activate more private and public funds to establish an attractive climate for social entrepreneurship and enable social entrepreneurship to become a sizable contributor to a more inclusive and competitive economy in the future.

 Positive climate for social entrepreneurs

 Promoting social enterprises

2.9

## Terrassa

### Context

The Valles region has the second largest number of cooperatives in Catalonia, and the city of Terrassa is home to 23% of them. In Terrassa, many social economy projects already exist, presenting an increased potential for growth in the domestic and international market. In addition to supporting already existing ventures, the city seeks to experiment with new ideas and help new social businesses develop.

### Initiatives

Terrassa's city council makes a continuous effort to increase awareness about the value and development opportunities associated with social entrepreneurship; providing access to information and training,

**10**  
projects received support

and supporting prospective social entrepreneurs and existing projects to expand and mature. The city's activities are largely driven by participation in local and regional networks and programmes. 'Terrassa Cooperativa' is a collaborative initiative created by the city, local cooperatives, associations, foundations and other socio-economic actors, to demonstrate the potential of social entrepreneurship. This initiative plays a very important role in promoting social entrepreneurship and advancing socio-economic development in the territory. By hosting and participating in information sessions and workshops related to social entrepreneurship, the initiative offers guidance and support to social entrepreneurship projects. In 2015, for example, nine workshops were hosted, while 10 projects received support.

2.10

## Turin

### Context

Turin has a long tradition in the social sector, bringing together a large number of social enterprises, organisations and networks. Nevertheless, the city was severely affected by the economic crisis, resulting in an increase in unemployment rates, particularly among young people.

The city also faced financial constraints, which limited its capacity to develop and finance new programmes. This situation motivated Turin to transform itself by experimenting with new urban development pathways to kickstart a cultural shift across society.



Creating 'intelligent communities' from the bottom-up



Kickstart a cultural shift across society



## Initiatives

The city focused on experimenting with new social innovation models to nurture the development of local ecosystems and capitalise on the potential of the local population. The city launched Torino Social Innovation (TSI), a public programme to serve local social needs. So far, TSI has developed through two actions: 'FaciliTo Giovani e innovazione sociale', a public call to support young aspiring social entrepreneurs and the Centre of Open Innovation, a public-private partnership to renovate an abandoned industrial building into a space for innovators. Technology has been used in Turin's strategy as a means for networking – particularly matching demand and supply in social entrepreneurship, creating 'intelligent communities' from the bottom-up and advancing environmental sustainability while improving services for citizens.

## Plans for the future

In the future, the city intends to reinforce its peer networking activities, both on a national and international level. It will also explore innovative financing opportunities, looking at the third sector as a key stakeholder and acting as a social entrepreneur delivering social services.

# 2.11

## Utrecht Context

Utrecht is the fourth largest city in the Netherlands and home to 345,000 people. It is known for its developed economies in life sciences, gaming, financial and business services, information and communication technologies, and sustainability. However, the city still faces social and economic challenges. Utrecht has been making continuous efforts to tackle these challenges through a change in approach, driven by the 'learning by doing' principle.

## Initiatives

Since 2015, the city has made considerable efforts to stimulate social entrepreneurship and work together with enterprises with a social impact. Social entrepreneurship is seen as 'the new normal', and entrepreneurs are empowered to create innovative solutions for local social challenges.

Business model innovation is essential in this approach, and is based on collaboration between established organisations, social entrepreneurs, and so-called 'changemakers'. It takes place through the use of social impact bonds and the integration of social return clauses in tendering processes, in a clearly defined framework for social procurement and a climate that encourages initiative and networking among stakeholders. A cornerstone of the city's social enterprise ecosystem is the Social Impact Factory, an independent foundation, which operates as a process facilitator; a matchmaker between demand and supply, and an organiser and coordinator of events. The Social Impact Factory shares a building with other social entrepreneurs and is a co-creation hotspot.

## Plans for the future

Utrecht is focussed on creating an inclusive job market and society for its residents. Social entrepreneurship is seen as a key driving force to achieve this goal.



Social  
entrepreneurship  
seen as 'the new  
normal'



# Tools cities use to promote social economy

## 3

### 3.1 Funding

**Funding tools used by cities to support social entrepreneurship**



Grants for business development



Low cost business incubation services



Social clauses in public procurement



National, regional and EU funds



Crowdfunding



Microfinancing



Social impact bonds

Most cities in this study provide business development grants to current and prospective social entrepreneurs. Milan's FabriQ, for example, grants prospective social entrepreneurs €20,000 - €28,000 to develop their business over nine months. Other amounts ranging from €5,000 - €30,000, are granted to prospective entrepreneurs - sometimes in rounds - to transform potentially valuable ideas into start-up companies. Some grants are entirely financed by cities, while others are co-financed by other public organisations and the private sector. In many cases, specifically established management bodies, such as non-profit organisations, manage and monitor grant allocation.

Another funding option frequently used by cities featured in this study is the provision of low cost business incubation services, which are often combined with business development grants. Business incubation services can cover the entire spectrum or just some aspects of business development, such as business planning, business management, or more specific issues such as, legal, financial, fiscal, administrative and human resources. In some cases, free technical support and mentoring are also offered by expert groups or industry partners. For example, although Nantes Metropole does not directly finance social businesses, it does offer social entrepreneurs incubator and accelerator services at a very low cost through Solilab, the city's social business incubator.

Responsible and innovative procurement is a multi-dimensional tool used in cities to support and finance social entrepreneurship. It is beneficial because it allows for simultaneous risk sharing, co-creation, and generation of economic, social and environmental impact. By putting social clauses in public sector contracts, cities such as Lisbon, Porto, Rennes, and Utrecht experiment with innovative business models. Rennes, for example, has adopted an integrated approach by adopting a 'Responsible Public Procurement Master Plan'. In return for committing to the charter in this plan, the city offers the public and private sector advice on implementation.

Capitalising on regional, national, EU and international funds is also seen as a very promising way to support social entrepreneurship. Although the capacity of cities to apply for such funding varies. For example, Lisbon participates in the initiative 'Diversity in the Economy and Local Integration' (DELI), along with nine other cities, jointly coordinated by the Council of Europe and the Migration Policy Group, to discuss how social and immigrant entrepreneurship can be supported in their cities. Several other cities, such as Gothenburg, are actively seeking to pursue similar grants in order to promote innovation and international cooperation in social entrepreneurship.

Crowdfunding is another popular financing tool used in cities. Cities often use it to support the financing of projects with a high social value owned by the public or private sector. In some cases, social entrepreneurship projects are co-financed by the cities to supplement the funding achieved through crowdfunding. Crowdfunding for common good is regarded as beneficial for society because it results in solutions that are closer to citizens' needs. Projects achieved through it are more likely to be embraced by the community and enjoy higher sustainability prospects over time. A good example comes from Milan, which has created its own civic crowdfunding initiative dedicated to developing projects with high social impact. The projects that participate can be owned either by private or third sector actors, and they address themes such as mobility, work, culture, quality of life, education and technological innovation.

Microfinancing is also used by some cities. Specifically designed bodies manage microfinancing schemes by collecting, evaluating and financing activities. Microfinancing usually focuses on issuing the guarantees required to create and develop new small social businesses. For example, Business Region Göteborg works with the city to support social entrepreneurship and offers a micro-financing scheme to support at least 10 companies annually by issuing guarantees.

In Utrecht and Rotterdam, social impact bonds are also seen as a major source of business model innovation, and enable co-financing of social businesses through both public and private funds. Social impact bonds are a form of funding for effective social services used by governments. They bring together the public, private and voluntary sectors to solve common challenges with programmes focused on delivering social outcomes.

If, following performance measurement, the programme achieves its social targets, the investor’s original investment is returned to them. However, if the programmes do not achieve the expected results, the investors lose their original investment or receive a lower return on it. In experimenting with social impact bonds, Rotterdam found that for prospective investors to invest, there needs to be a trusting relationship between the city and its social entrepreneurs.

Social entrepreneurs also need to have a solid business plan in place in order to minimise investment risk and attract the interest of investors. The concept of investment to generate social impact is still under-developed in some public organisations but it presents many opportunities in areas such as childcare, healthcare and education. Many of the cities that participated in this survey have reported an interest in experimenting with this new financing tool.

## 3.2

# Network of social economy actors

### Actors in the social economy



**Government**  
 ■ national  
 ■ regional  
 ■ local



**Business**  
 ■ businesses (at all stages of development)  
 ■ financial institutions



**Social sector**  
 ■ social enterprises  
 ■ NGOs  
 ■ employee associations and cooperatives  
 ■ citizens and their communities



**Academia**  
 ■ universities  
 ■ research institutions



**Public and private investors**



### Special roles actors can take

- experts in the social economy sector (academics, entrepreneurs)
- facilitators (intermediaries that facilitate dialogue between communities and social entrepreneurship support structures. For example, community representatives and social workers)
- boards and advisory groups
- community leaders

### Activities enabled through networks

- information and dissemination
- discussion, debate, knowledge and best practice exchange
- networking, marketing and promotion of social businesses
- training and mentoring
- creation of partnerships and consortia
- matching demand and supply of products and services on B2B level
- business development consulting, mentoring, technical support
- providing spaces
- engagement with users, beneficiaries, and citizens

The creation of networks of social economic actors is a very powerful tool used by cities to support social entrepreneurship. All kinds of actors can be involved in them: government agencies on European, national, regional and local level, universities and their incubators, financial institutions and businesses at all stages of development and civil sector actors, such as non-profit organisations, non-governmental organisations, social enterprises, employee associations and cooperatives, and even citizens. Public and private investors also play a major role in providing necessary funding. There is a broad range of roles

for actors, from simple members to community leaders (Lisbon), experts (Porto) and facilitators that bring together prospective entrepreneurs and support structures. Boards and advisory groups may also play an important role, as in Gothenburg, where three grant assessment boards and advisory groups contribute to the identification, assessment, mentoring and development of social business ventures.

The activities pursued through the networks are very broad, including discussion, debate, knowledge and best practice exchange, networking and

commercial promotion of social businesses, information dissemination, business development consulting, mentoring, technical support, matching demand with supply and providing space. The role of technology and digital platforms in the design and implementation of activities has been very important in some cases, as it is used to increase information outreach, market social businesses, match demand and supply, promote discussion and collect large amounts of information over short periods of time. Good examples include the platforms used in Turin and Lisbon.

### Nantes Metropole's approach to creating and expanding a network of social economy actors

The city's major collaborator in the effort to support social entrepreneurship is the non-profit organisation Les Ecosolies, which offers technical and administrative support.

The Nantes Metropole - Ecosolies partnership:

- raises awareness of social entrepreneurship; its values and outputs
- makes social entrepreneurship equal to other forms of economic entrepreneurship in the territory

- advises projects in the planning and implementation of their activities
- supports projects with a social impact which respond to a need expressed by the community

# 3.3

## Infrastructure and impact hubs

The infrastructure and impact hubs supporting social entrepreneurship in cities are mainly business incubators and places to host events, workshops and training activities. In this study we identified some examples: Milan’s FabriQ and Cohub, Nantes Metropole’s Solilab, Porto’s Centre for Social Innovation and Utrecht’s Social Impact Factory.

Some of them, like in Milan, are intentionally located in disadvantaged areas, bringing economic activity and opportunities to these neighbourhoods. They also offer their services online and offline or as a mix of the two.

Another primary service offered by infrastructure and impact hubs is tutoring on business management. Entrepreneurs

are supported to draft, develop, implement and assess business plans and receive advice on legal, financial, fiscal, administrative and human resources issues. The provision of specific assistance is usually at the start-up and launch phase of a social enterprise.

### infrastructure and impact hubs

- independent foundations
- jointly managed (usually cooperatives and cities)

### Business development stages supported

- idea
- start-up
- scale up and transfer

### Activities and services

- business development consulting
- technical support
- special advice: legal, financial, fiscal, administrative, patent registration and quality certification
- training
- evaluation of results or impact monitoring
- contribution to policy making

### Support mode

- online
- offline
- mixed

### Utrecht’s experience with infrastructure and impact hubs

Utrecht’s Social Impact Factory was created by the local government but operates as an independent foundation. It provides social entrepreneurs with advice, support and networking opportunities.

The underlying idea is to ensure enterprises pursue concrete social impact objectives, built on a sound business model.

Two prominent examples of social businesses include I-did, which trains and employs people to produce products from textile waste and Colour Kitchen, which trains unemployed young people in the hospitality sector for one year and awards them a certificate on completion.

Both companies are dedicated to helping people furthest from the labour market.





# Success factors, bottlenecks and challenges

## 4

### 4.1

## Success factors

### Success factors for promoting social entrepreneurship in cities



Cross-cutting,  
integrated strategy



Coordination of a  
local network



Development of local  
ecosystems



Capacity building of  
entrepreneurs



Citizen participation  
(bottom-up approach)

The existence of a cross-cutting strategy for economic development and social cohesion is a very important driver of social entrepreneurship in cities. Lisbon, Milan and Rennes have developed initiatives driven by the cross-departmental collaboration to coordinate initiatives and resources and to achieve common goals with respect to social entrepreneurship. A substantial cross-cutting strategy can only be established with clear direction from the policy level. Market monitoring and ongoing data collection are essential to create targeted actions and activities that better match demand and supply, and enable entrepreneurial success and sustainability.

Cities can also create and coordinate a network of local stakeholders that add value to the process. Each stakeholder brings different knowledge, capabilities, and resources. Stakeholders that can be mobilised include large businesses, start-ups, universities, and local experts and organisations. Cities can nurture the development of networks of local actors in many ways. For example:

- Lisbon created platforms and integrated management and communication strategies to facilitate the creation of networks.
- Rennes created a collaboration charter, which many local stakeholders signed up to.

The overall goal of coordinating a local network is to increase awareness, create new opportunities and advance local economies of scale and scope, all while

encouraging openness and embracing new ideas.

Local social entrepreneurship ecosystems include a wide range of actors from businesses, local authorities, universities, civil society organisations and others. They support mechanisms used to facilitate social entrepreneurship, such as financial and technical support, training and information and networking in the neighbourhoods, hubs or elsewhere. The ability to adapt and self-regulate is a key factor in enhancing an ecosystem's resilience and sustainability. Milan, for example, seeks to encourage creativity and innovation among ecosystem actors through an open approach; paving the way for integrated, dynamic and sustainable urban development. It is important the city's approach has a strong territorial focus, with physical places acting as social innovation and entrepreneurship hubs to accelerate social inclusion and economic development in specific neighbourhoods. In Turin, the concept of an open social innovation ecosystem is very advanced, signifying a cultural shift towards urban socio-economic development. Diversity can also be seen as an advantage for the development of local ecosystems. For example, in Lisbon migrants and minorities are seen as a source of 'diversity advantage' – a resource for social, economic and cultural development when adequately included in all institutions and policies, instead of remaining on the margins of society.

Building the capacity of entrepreneurs is essential to promote social entrepreneurship in cities. Social entrepreneurs often lack the necessary business and technical skills needed to set up sustainable businesses. Moreover, social enterprises are usually micro-businesses, so they often have limited access to resources and have difficulty penetrating mainstream markets. It is essential public authorities support new skills development and provide the necessary environments to help social entrepreneurs develop their businesses. Training, coaching and mentoring are some of the ways cities pursue this goal. Others include the provision of incubator and accelerator services, the creation of networking and collaboration opportunities, the provision of information to entrepreneurs through single access points, like digital platforms and one-stop offices, and support in implementing their initial business idea. Throughout this, it is important to focus on providing the necessary skills that will allow entrepreneurs to develop sustainable businesses. Unique support for structural characteristics and during each business lifecycle stage is important too, as businesses have different needs and face different challenges depending on their development stage.

### Capacity building in Porto

In Porto's Centre for Social Innovation, prospective social entrepreneurs have the opportunity to learn through collaborating with organisations and industry partners. A post-graduate programme in entrepreneurship and social innovation is also offered, while bootcamps and forums are frequently organised.

## 4.2

# Bottlenecks and challenges

Citizen participation – also referred to as the ‘bottom-up’ approach – has multiple benefits. When the aims and focus of the supported social innovation initiatives are decided in a bottom-up way, and when solutions are created and assessed by citizens and other social actors, they are more likely to result in relevant, successful and sustainable social enterprises. A bottom-up approach has many positive affects throughout society and the economy too. It contributes to awareness raising about the value of social entrepreneurship and makes it more likely citizens will eventually make the conscious decision to buy products and services offered by those enterprises. A cultural shift can begin as citizens become ‘agents of change’ for a more socially-driven lifestyle model.



## Citizen participation in Milan

Milan has adopted an open approach to social innovation that respects a number of initiatives coming from different perspectives thanks to an innovative crowdfunding platform. This encourages urban stakeholders to experiment, innovate and generate new and more relevant ideas and then put them into action.

### Common challenges cities face in their efforts to support social entrepreneurs

- Social entrepreneurs’ lack of access to financial resources
- Social entrepreneurs’ lack of skills to set up sustainable businesses
- Social impact measurement
- Lack of a legal framework
- Challenges with scaling up the ecosystem

A commonly identified challenge is the lack of capital for social entrepreneurs, often linked to the limited awareness and recognition of this newly emerging sector. Current policy frameworks and fund allocation practices generally favour the development of traditional and large businesses. However, social businesses are usually micro-businesses, smaller than mainstream businesses in both turnover and profit. This means they lack capacity and have limited access to public financing and development opportunities. To tackle this challenge, cities try to experiment with opening public procurement to social business consortia and facilitating transactions between social and non-social business actors.

A second common challenge reported by cities is the lack of social entrepreneurs’ skills to set up sustainable businesses. Social entrepreneurs are driven by their motivation to produce a positive social impact. Many have not received proper business administration training and so lack knowledge about how local markets function. The case of immigrant social entrepreneurship is even more

complicated because of language barriers. To tackle these challenges, cities often collaborate with local organisations and trade unions to create business development support services, such as incubators and information offices, organise short training courses on different aspects of business administration, and assign expert mentors or support groups.

Measuring social impact is challenging, costly and subjective. It is also difficult to keep track of the performance of those businesses that have graduated from incubation. Many cities do not have the necessary mechanisms to allow them to monitor and evaluate the results of their initiatives. As a result, social impact is usually measured through concrete outputs, such as the number of social businesses supported and the value of grants allocated to social businesses, rather than results. This makes it hard to assess the wider societal and economic contribution of these initiatives.

Cities can address this challenge by establishing monitoring frameworks that are in line with urban, regional and national monitoring indicators. They can also encourage social entrepreneurs to contribute to the updating of this monitoring system by educating them on how to monitor and report their own results.

When it comes to social entrepreneurship at local level there are considerable challenges related to the existing legal framework, which place constraints on the decision-making power of local policymakers. The absence of a common approach to social enterprises at the

European level is another barrier in the development of the social economy. Cities face difficulties in working together with national governments and regional authorities to establish proper legal frameworks and pool resources to allow social entrepreneurship to flourish. Some of them try to direct national programmes and procurement laws into integrating support measures for social businesses. For example, by activating social responsibility clauses in procurement and facilitating market access to smaller businesses.

The final set of challenges is related to scaling up the ecosystem. Increasing the uptake and impact of social

entrepreneurship in cities is particularly challenging. If a city is working in silos, it is difficult to upscale and expand the ecosystem. Tensions and barriers often result from differing attitudes to innovation, experimentation and social purpose and more business-driven attitudes within all stakeholder groups of the ecosystem. To resolve this, cities may try to increase awareness about the value of social entrepreneurship, facilitate cross-level and cross-departmental collaboration and engage relevant, visionary and inspiring people in leadership positions, such as former social entrepreneurs and community representatives.





# Recommendations

# 5

## Recommendations for the EU and national governments



**Work in partnership with local authorities to better define a national and European legal framework**



**Facilitate and support the exchange, scale-up and transfer of good practices**



**Support the creation of a common social economy culture in the EU**



**Improve access to European and national funds for innovative projects**

## 5.1

# Better defining a national and European legal framework in partnership with local authorities

The limited capabilities and decision-making power of local authorities in supporting social entrepreneurship is usually due to the lack of a clearly defined regional, national and European legal framework. Defining a better national and European legal framework regarding social entrepreneurship is important for the development of social entrepreneurship in the EU. It is important that these legal frameworks clarify and define issues related to public procurement, fiscal regulations

and access to different forms of finance, including public grants, business loans, and capital markets. Clarity is also needed about which financial opportunities are available to which specific types of social businesses and their consortia, and through which mechanisms they are accessible. It would also be helpful if related legal frameworks were directly communicated through single access points online and offline. The process to successfully define the national and European legal framework in regards

to social entrepreneurship needs to be driven by open dialogue between cities, member states and the EU institutions to reach agreement on how policies, responsibilities and resources can be coordinated across different levels.

**Defining a better national and European legal framework for social entrepreneurship is important for their development in the EU.**





## 5.2

# Facilitating and supporting scale-up and exchange of good practices

Although many valuable initiatives to support social entrepreneurship currently exist in cities across the EU, the opportunities to exchange know-how and identify and communicate best practices remains limited. Current communication channels for best practices are instigated indirectly or from the bottom-up, for example through networks such as EUROCITIES, or through EU funded research projects and competitions. The large range of activities that are pursued in social entrepreneurship mean a structured communication and dialogue is especially challenging.

The breadth of social entrepreneurship as a concept and practice calls for a dedicated exchange of good practices, challenges, and bottlenecks, in order to allow for a scaling up of local social entrepreneurship ecosystems and the transfer of good practices. The creation of an open discussion and knowledge exchange platform would be helpful; allowing cities to explore specific ways to support different forms of social entrepreneurship in different contexts. The European Commission and the Organisation for Economic Cooperation and Development (OECD) recently launched

a joint initiative to identify, assess and provide tailored advice to national and regional administrations in the design and implementation of integrated policies and programmes for social enterprises. This initiative presents an opportunity to create a platform for public dialogue and knowledge exchange about how cities can support social entrepreneurship.



## 5.3

# Creating a common social economy culture in the EU

Social entrepreneurship is, by definition, geared towards the development of a culture of openness in social representation and inclusion. National and EU authorities can capitalise on this potential to further develop a common culture on social economy in the EU, which is a precondition to creating a vibrant Europe-wide social economy ecosystem. To achieve this, different aspects of culture need to be

combined effectively, addressing attitudes towards entrepreneurship, sustainable lifestyles, innovation, public dialogue and participation, and education and training. Cities have valuable knowledge and experience to offer in the development of a common culture, such as having a better knowledge of the demand side of social entrepreneurship, as the level of government closest to citizens.

For this reason, it is suggested local administrations and their representatives are invited to participate in the dialogue among EU member states to help reach a common definition and adopt a common approach towards the social economy.

## 5.4

# Improving access to EU and national funds for innovative projects

Access to funds for innovative projects is relatively advanced in the EU, largely implemented through funds like EaSi and Horizon2020. However, most social businesses lack the skills, capacity and institutional characteristics required to access these kinds of funds. The lack of commonly used, clear definitions of 'social entrepreneurship' and 'social business' further prevents access to funding. At the same time, more flexibility regarding funding is needed, especially given the broad definition of social entrepreneurship

itself. The results of this research point to the fact that more funds should be channelled into piloting activities for innovative ideas with a social purpose. This process would enable a more thorough understanding and consequently shift financing mechanisms towards supporting more inclusive and targeted initiatives, which address the many facets of social entrepreneurship. Given the already existing operation of a great number of related initiatives that are jointly owned and managed by cities,

and the capacity local authorities are demonstrating in driving the development of local social entrepreneurship ecosystems, the possibility for cities to be able to apply directly for funding – specifically social funds and other structural funds of the European Commission – should also be explored. It is suggested that specific EU and national funds target urban areas to support the development of local social entrepreneurship ecosystems.



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For further information please consult: <http://ec.europa.eu/social/easi>

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