



Positioning
Social Enterprises
in the
Policy Agenda:

Road to Travel

EXECUTIVE SUMMARY

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Acknowledgements

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<http://www.nesst.org/portfolio/>
<http://www.nesst.org/portfolio/exits/portfolio-exits/>.

Prologue

Positioning Social Enterprises in the Policy Agenda: Road to Travel is an important contribution to a global dialogue focussed on realising the potential of our times to achieve progress on some of the most pressing issues facing societies.

Through my work as a social innovation and investment strategist, I witness major systemic shifts across the globe affecting how we think about social issues and act in response. Shifts that change the focus from whether we can address some of the most entrenched issues to how we will tackle even the most difficult aspects of poverty alleviation and sustainable development. Shifts in the way different actors in society work with one another. Shifts that focus us increasingly on what is being achieved – the extent to which positive outcomes are being achieved for those that social programs are intended to serve. So marked are the trend lines that some commentators have branded it a “solutions revolution”.*

Social enterprise solutions are an important feature of what is emerging. In some countries they are developing from roots in community enterprise and traditions of social economy with a rich history that have found new, or renewed, expression in the current environment. In other areas market mechanisms are being utilised to develop innovative approaches to providing social benefit and tackling social issues. Many inspiring entrepreneurial practitioners are at the vanguard of this work. Some work on the global stage and others work at the grass roots of community. What they have in common is courage, energy, purpose and drive.

Social enterprise can be identified across the spectrum of social, cultural and environmental

issues and activity, in areas as varied as the arts, aged care, community development, education, employment, health, environmental management, sustainable agriculture, renewable energy, justice, social housing, and international development. They are achieving new training opportunities for young people, pathways out of poverty with quality sustainable jobs, more and better housing, improved health and educational outcomes, and new facilities and services that meet community needs.

Like other forms of enterprise, the capacity to develop and scale these organisations and initiatives is impacted by their context, including the policy and regulatory environment. They have needs in common with a range of other enterprises and entrepreneurs: requirements for expert assistance to realise the expression of the ideas in robust and sustainable business and operating models; needs for finance on appropriate terms for their operating needs and stage of development. Unlike some other enterprises, they also face challenges of design to achieve and measure their social objectives.

Positioning Social Enterprises in the Policy Agenda: Road to Travel paints the dynamic landscape of how these global shifts and the emergence of social enterprise are manifesting in two countries, Chile and Brazil. It is an insightful and pragmatic study of local potential informed by the common and contrasting themes across the two jurisdictions and the broader global context. It maps out the road ahead, with practical signposts to point the way forward as well as cautionary notes about where the road is not yet paved evenly.

The Report’s emphasis on policy highlights

* Eggers W & Macmillan P (2013) The Solution Revolution

the importance of the authorising environment to encourage and enable social enterprise. It acknowledges governments' important and legitimate stake in the development of new approaches to tackling social issues. This includes Governments' role as regulator and legislator; and the case for exploring a range of policy levers to create incentives for action and disincentives for harm, remove unnecessary barriers to promote wider participation and enable enterprises to extend their reach and impact for communities. The role identified for government as catalyst and aggregator of resources to accelerate development is critical and the international experience reinforces the positive impact that can be achieved by governments taking up that leadership role.

Other points highlight the significance of social enterprise solutions for government consistent with the developing global story. This includes potential to transform how some services are commissioned and delivered, promote efficacy and accountability for results. Also, the potential for innovative responses developed in and with community to tackle entrenched social issues that have defied resolution with policy responses alone and contribute to filling the growing gap between need and demand for services and what governments alone can provide.

While policy is the central theme, there is clear recognition in the work that developing the potential of social enterprise is a multi-stakeholder issue. It will not be enough for other actors to rely on government alone and innovative approaches to social issues can open up potential for a new breed of partnerships to create social and economic value.

This report makes an important contribution to the dialogue about what can, and perhaps

should, happen to develop the potential of social enterprise in Chile and Brazil. This opens a window for the world into developments on the South American continent and reinforces the common central themes in this emerging area. The impact of this work will not be limited to these jurisdictions. It is a terrific addition to the applied learning and thought leadership that a range of jurisdictions and actors will be able to draw upon and test against their local circumstances and will contribute to the development of understanding and practice globally.

Rosemary Addis
Executive Director
Impact Strategist



Social Enterprises: 1- Casa Panchita (Peru), 2- Coanil (Chile), 3- Magrini (Peru), 4- SOS Dental (Brazil), 5- Tëxsal (Ecuador).



Introduction

The role of social enterprises in providing sustainable, market-based solutions to a variety of social problems, ranging from unemployment to environmental protection, is a growing global trend.

Social enterprises are a recognized sector within the economies of countries such as Australia and the United Kingdom, contributing a total of £55 billion to the UK economy and over 2 million jobs. This positioning of social enterprises, also known as impact enterprises or the fourth sector, goes hand in hand with a mounting interest in developing better public policies to support and strengthen their development. In Europe, where the total social economy has been estimated to be over 11 million people, the equivalent of approximately 6% of the active work force, comparatively robust government policies have enabled social enterprises to develop with greater strength.

In Europe, Australia and the United States, social enterprises have shown significant potential and performed competitively in responding to challenges such as unemployment. Furthermore, there is widespread recognition in all of these countries regarding the role of public policy in maximizing the impact of social enterprises. Although developing countries like Brazil and Chile have experienced economic growth, large segments of the population continue to live in poverty with limited access to employment or basic services. And although social enterprise is a growing movement in both of these countries, the sector still lacks visibility and positioning in the public and policy agendas. There is an urgent need for a concerted effort in countries like Chile and Brazil to examine these

international experiences and to adopt and adapt policies that strengthen the potential of social enterprise to address persistent social problems.

This manual provides a framework for positioning social enterprise in the policy agenda and applies the framework in the cases of Brazil and Chile. It includes the elements that determine the best conditions for strengthening the social enterprise sector, as a means to assist policy makers in defining an action plan to position social enterprises on the policy agenda.

It brings together key background information, experiences and case studies from across the globe as well as the specific opportunities present in each country. In sum, 34 case studies or experiences are provided. Although they constitute only a sample of a far greater universe, they offer an important spectrum of lessons and ideas. By building on the recommendations of key stakeholders, and providing a road map on how to move forward, the manual provides an opportunity to progress more rapidly in developing policies that will scale the impact of social enterprise.

The recommendations proposed in this document correspond specifically to the realities of Chile and Brazil. To a large extent, however, they can be extrapolated to similar country and sector contexts, particularly those where social enterprises still need to be positioned in the public agenda.

Social Enterprise Sanatate Dulce of Agapis (Romania).



Background

Why Conduct this Research and Produce this Manual?

This research emerged from a need detected in NESST's recent publication *-Social Enterprise in Emerging Market Countries: No Free Ride-* to examine in greater depth the role of public policies in the development of impact or social enterprises.

The proposed aim of this research was to document and disseminate best practices and experiences in relation to public policy, in addition to the opportunities offered by new policies, which create demand for more social enterprises in both Chile and Brazil.

In both countries, the lack of an institutional framework for social enterprises means that they are not formally recognized, they have no legal status, there is no regulatory body to gather information, and academic evidence is scarce. While these conditions pose significant challenges in terms of finding information and identifying best practices for social enterprises, they also provide further justification for the current research.



Workshops with sector leaders that were organized as part of this research. Photos 1 and 2, in Brasília, in the offices of the social enterprise Rede Pro Aprendiz. Photo 3, in the offices of the government agency Corfo.

What are Social Enterprises?

There are many different definitions employed to describe social enterprises^{1,2}. Similarly, social enterprises around the world encompass many different types of organizations, thereby making it difficult to draw international comparisons.

According to the European Commission, social enterprises, regardless of their legal status, are generally identified on the basis of a set of common criteria: the permanent production and sale of products or services; a high degree of autonomy; a significant level of economic risk; a minimal amount of remunerated work and limited profit sharing; an initiative launched by a group of stakeholders; a decision-making process that is not based on ownership; a participatory character that involves those affected by the activity, and an explicit aim to benefit the community.

For the purposes of this document, social enterprises are defined as businesses that solve critical social problems in a sustainable manner. The utilization of this fairly broad definition makes it possible to analyze the potential of public policies to increase the impact of social enterprises in countries that are still lacking a regulatory framework to define the sector.

Social enterprises establish their relevance by creating and selling products or services that improve the quality of life for vulnerable or marginalized people, while at the same time generating financial revenues for the enterprise

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- 1 Etchart, N. y Comolli, L. (2013). *Social Enterprise in Emerging Market Countries: No Free Ride*. New York, Palgrave Macmillan.
 - 2 Escuela de Administración, Pontificia Universidad Católica de Chile (2012). *La Innovación Social en Chile y el Rol del Estado en su Desarrollo*. Santiago.

This research emerged from a need detected in NESST's recent publication *-Social Enterprise in Emerging Market Countries: No Free Ride-* to examine in greater depth the role of public policies in the development of impact or social enterprises.

to sustain its activities. In general, social enterprises introduce new products or services to the market and create demand by raising awareness about the problem to be tackled.

Who is the Target Audience for this Manual?

The manual is designed to be used as a tool that supports the social enterprise community in its efforts to position the sector and, similarly, in its efforts to increase its potential for social impact. It is aimed at all interested parties, yet it is specifically targeted at public sector representatives, politicians and public policy makers. The implementation of policies that generate a favorable ecosystem for social enterprises – not only during the start-up stages, but during subsequent stages too – is fundamental if these businesses are to exploit their full potential. These policies should focus on promoting social enterprises; building favorable legal, fiscal and regulatory frameworks; providing adequate financing, offering business development services, as well as support structures; facilitating market access; and supporting research within the sector.

The main argument for promoting public policies that support social enterprises is based



on the idea that social goals, e.g. those related to unemployment and economic development, could be achieved more efficiently by social enterprises, improving public spending as a result. According to the European Commission, the evidence shows that suitable public policies increase the benefits generated by social enterprises.

Finally, if there is a need to generate a focused strategy that favors the set up and growth of social enterprises, the evidence indicates that the strategy should focus on the early stages of development. It is the stage where public policies and programs can make a huge contribution in developing a healthy pipeline of social enterprises and where there are less private sector support mechanisms.

Public Policies: Inserting the Social and Solidarity Economy into the Policy Agenda

According to Castelao and Srnec³ (in Chavez and Demoustier, 2013), countries are experiencing a shift towards a new generation of social policy intervention models. This situation is due to an “evident inability of the State to address poverty, inequality and unemployment.”

The new way of organizing the economy revolves around new organizations that fit the definition of social enterprises. The most significant advances in the region have occurred



Peter Holbrook of Social Enterprise UK, Keynote Speaker, Social Enterprise Day Chile 2013.



in countries such as Ecuador and Bolivia, which have designated value and legal recognition to the social economy. According to the classification made by the authors mentioned above, Chile has a more traditional approach to the social economy, in which cooperation is the central focus and the role of other actors virtually ignored. In the case of Brazil, there is a dual focus, in which the social economy is given greater consideration than in Chile as a result of the creation of the National Secretariat of the Solidarity Economy (Secretaría Nacional de Economía Solidaria - SENAES).

The Identification of Policy Opportunity in Each Country

One of the issues that frequently emerged in previous research was the need for a more suitable regulatory framework for social enterprise, even though the process of generating this framework may be lengthy and complex. Furthermore, there must be at least moderate consensus regarding a definition of social enterprise in order to facilitate progress regarding legal matters and, thus, prevent discussions from stalling.

NESsT's previous research on social enterprise was conclusive regarding the importance of creating incentives during the next five years in order to develop policies that generate new opportunities for social enterprises and the impact they can make. The lack of public

In Brazil as well as Chile, the lack of an institutional framework for social enterprises means that they are not formally recognized, they have no legal status, there is no regulatory body to gather information about them, and academic research on their activities and impact is scarce.

policies and support for social enterprises in Latin America probably stems from a failure to recognize the social value and potential savings to public spending generated by these organizations.

In Chile, the evidence reveals that the context for innovation and social enterprise initiatives is complex. Nevertheless, it is also an opportune moment for Chile to build a public agenda around innovation and social enterprise⁴ and this moment must be exploited. In the case of Brazil, there is a paucity of government incentives for social enterprises and no national policy to support local development. As is the case with Chile, there is also interest among certain stakeholders to see the sector grow.

³ Chaves, R. and Demoustier, D. (2013). The Emergence of the Social Economy in Public Policy: An International Analysis. Social Economy & Public Economy, Número 4. Bruselas, P.I.E Lang.

⁴ Escuela de Administración, Pontificia Universidad Católica de Chile (2012). La Innovación Social en Chile y el Rol del Estado en su Desarrollo. Santiago, Chile.



Results

Positioning Framework

Bernier and Turgeon refer to the opportunity to generate public policies as “the opening of a policy window” (Chavez and Demoustier, 2013). In order for this to happen, the following conditions must be present:

- 1- Clear socio-economic problems that draw the attention of policy makers, problems that should be acknowledged and visible on a social and political level.
- 2- Previously existing policies that offer a choice of possible solutions which could be implemented to tackle the identified problems, policies that are technically and politically viable.
- 3- Political factors referred to as “an optimal constellation of political forces”, which ensure that the proposed public policy can be successfully implemented.
- 4- The existence of policy entrepreneurs, understood as people or organizations with

links to the public and private sectors, who demonstrate the political will and propensity to invest time and resources into opening the policy window for a particular proposal.

- 5- The way in which a problem or proposal enters the policy agenda will, to a great extent, determine the strategies for public action that will be adopted, i.e. the make-up of the agents or interest groups that will participate in the policy process and the subsequent scope of the policy to be implemented.

Past experiences, available resources and the opinions of international experts all highlight a series of elements that promote the development of social enterprises in countries where this is still an emerging sector. The objective of ensuring these elements is to draw on relevant cases in which social enterprises have been positioned and supported in other countries as a means to advance discussions and shorten the process in countries like Chile and Brazil. Ultimately, though, this can be done in any country where the social enterprise sector is characterized by similar contexts and phases of development.

In order to facilitate country-level evaluations of the social enterprise sector, we propose the following model to organize and present the elements that are needed to advance the development of social enterprises:



Social Enterprise, Relmu Witrál (Chile).

FIGURE 1
FRAMEWORK FOR POSITIONING SOCIAL ENTERPRISE ON THE PUBLIC AND POLICY AGENDA



Define the concept of social or impact enterprise: During the early stages of the sector’s development, it is important that definitions of the concept remain fluid. It is important to have a definition in order to start developing support policies; however, the general consensus is to avoid an overemphasis on the definition, as there is a risk of limiting discussions.

Identify clear needs: Social enterprises are a means, not an end in their own right. Therefore, needs must be identified during the process of positioning the sector on the public and policy agenda. Firstly, there are the needs faced by the country in which there is an interest in developing social enterprises. Another category relates to those needs associated with the barriers to development, growth and scaling faced by social enterprises. Once society accepts that the



social enterprise sector has the potential to solve social problems, this second group of needs can be addressed through public policies.

Select case studies, policies and experiences to be used as a reference:

There are hundreds of policies that directly or indirectly influence the development of social enterprises, ranging from generating a favorable environment for their creation, to facilitating the flow of resources and capital fundamental for their growth. The ability to draw on experiences of positioning social enterprises on the public and policy agenda is fundamental during the early stages of the sector's development and is one of the necessary conditions described previously for "opening the policy window". Citing the experiences and lessons learned from initiatives implemented in other countries will be important when trying to convince authorities or leaders. Given the different realities of each country, different combinations of experiences and case studies should be considered as a means to understand potentially distinct implications, for example, in determining how a government will coordinate its efforts.



Maintain permanent dialogue with stakeholders:

This key element is a permanent feature in the early developmental stages of social enterprises in more advanced countries. Social enterprises cut across many sectors and industries and governments can play a significant role in eliminating the barriers and segregation that can inhibit coordination, the development of ideas, and the sharing of those ideas. Inserting social enterprises into the policy agenda is a long-term process that always involves various interest groups. Familiarizing those involved with the process both with the process, and the relevant definitions, will take time. Therefore, it is advisable to adopt a broad approach, ideally with early and active public sector participation and discussions structured around specific themes.

Develop a positioning strategy for the sector:

This refers to the design, implementation and honing of a strategy that successfully positions social enterprises at the center of the public and policy debate as a vehicle to help solve social problems. In order to move forward with such a strategy, all other elements of the model must dovetail. Without a definition of social enterprise, for example, it would be difficult to achieve this positioning. When case studies and experiences relevant to the specific needs of each reality are incorporated in the strategy, the strategy becomes stronger. Similarly, by including stakeholders in some capacity, the strategy will be more comprehensive.

Positioning social enterprises on the public and policy agenda is vital to the development of public policies. The best example of this positioning is in the United Kingdom, where

*Social Enterprise Fruit of Care (Hungary).
Photo taken by Zsuzsa Teglas.*

the highest authority, the Prime Minister, publically supports the sector and promotes the development of incentives and other enabling policies.

This Manual aims to establish the foundations for this strategy in Chile and Brazil as a first step in stimulating coordination between stakeholders and key policy makers who are interested in promoting a stronger social enterprise sector.

Specific Challenges

- **The chicken or the egg?:** This dilemma in some way captures the difficulty of developing policies to strengthen social enterprises. It is not clear which should come first: a critical mass of social enterprises demanding supportive policies, or public policies that promote the creation of a social enterprise sector. Most likely, there have been successful examples of both, rather than one right answer.
- **Social enterprises and impact investment:** Social enterprises, financing and impact investment⁵ are terms that often generate confusion. Clear definitions for each of these concepts must be established as their respective support policies are different, and while there is some overlap and complementarity, they are not the same.
- **Access to financing:** Whether in countries like the United Kingdom, where the sector is

⁵ According to the organization Impact Investing Policy Collaborative (<http://iipcollaborative.org/>), impact investment refers to capital that is aimed at businesses, organizations and funds with the intention of generating positive and measurable social and environmental impacts, in addition to a financial return.

The lack of public policies and support for social enterprises in Latin America probably stems from a failure to recognize the social value and potential savings to public spending generated by these organizations.

far more developed, or Australia, where the sector is advancing, the barriers to accessing financing are similar to those observed locally in Brazil and Chile. To name but a few, all countries must address the need to prepare social enterprises for investment and to offer financing needed by social enterprises at different stages of their development. This puts into question whether the support needs of social enterprises truly differ that greatly among different countries or contexts.

- **Central government versus local government perspective:** In terms of policy development, there are many experiences and opportunities that originate from different levels of the public sector (Central, Federal State, Municipal). Experts believe that the opportunities will depend on the local contexts and who controls the policies and public financing.



Social Enterprise Ingenimed (Peru).

General Recommendations on Positioning

Given that the social enterprise sector is in the early stages of development in Brazil and Chile, policy recommendations focus on supporting the creation of an intermediary infrastructure. Apparently, the costs associated with developing intermediaries are high but necessary. At this stage of the process, many believe that intermediaries are as important, if not more so, than relying on the support of political leaders or highly visible politicians.

One experience worth considering for adaptation in Brazil and Chile is the Social Innovation Fund of the United States. This fund invites intermediaries to supplement public funding to support the development of social innovation. The criteria for providing this financial support are defined during the implementation process.



Social Enterprise World Forum 2012 (Rio de Janeiro). Photos taken by the Social Enterprise Bem TV.



Other recommendations include the following:

- Fostering a mutually beneficial commercial relationship between companies and social enterprises that goes beyond philanthropy.
- Including implementation aspects related to the policy while developing the strategy, which would require all stakeholders to work together in its development.
- Providing public subsidies and philanthropic support during the initial development stages of the sector and, therefore, contributing to its growth potential.

The results suggest the need to engage more deeply with the tension points that have the potential to facilitate the positioning of social enterprises in the public and policy agenda. These are:

- Central government versus local government.
- Cross-cutting or sectorial focus in the public sector.
- Need for a new legal status or advance with the existing legal framework.

It is not clear which should come first: a critical mass of social enterprises demanding supportive policies, or public policies that promote the creation of a social enterprise sector.

Current Positioning of the Sector

Investing significant time in trying to reach a general consensus on the definition of a social enterprise might be fruitless, as it is unlikely that such a consensus will be reached. As the findings of NESsT's⁶ recent research and publication suggest that for the next five years it will be necessary to maintain a broader definition and focus more on developing incentivizing policies. Likewise, it will be necessary to promote a space within public procurements to create opportunities for social enterprises to develop, grow and generate a greater positive social impact.

Both in Brazil and Chile, the lack of definition by the State in terms of what is – or what is understood to be – a social enterprise, has made it harder for the people we interviewed as part of this research to achieve concrete progress in terms of positioning. This point is illustrated in Figure 2.

⁶ Etchart, N. y Comolli, L. (2013). Social Enterprise in Emerging Market Countries: No Free Ride. Nueva York, Palgrave Macmillan.



FIGURE 2
DIFFICULTIES IN POSITIONING SOCIAL ENTERPRISE

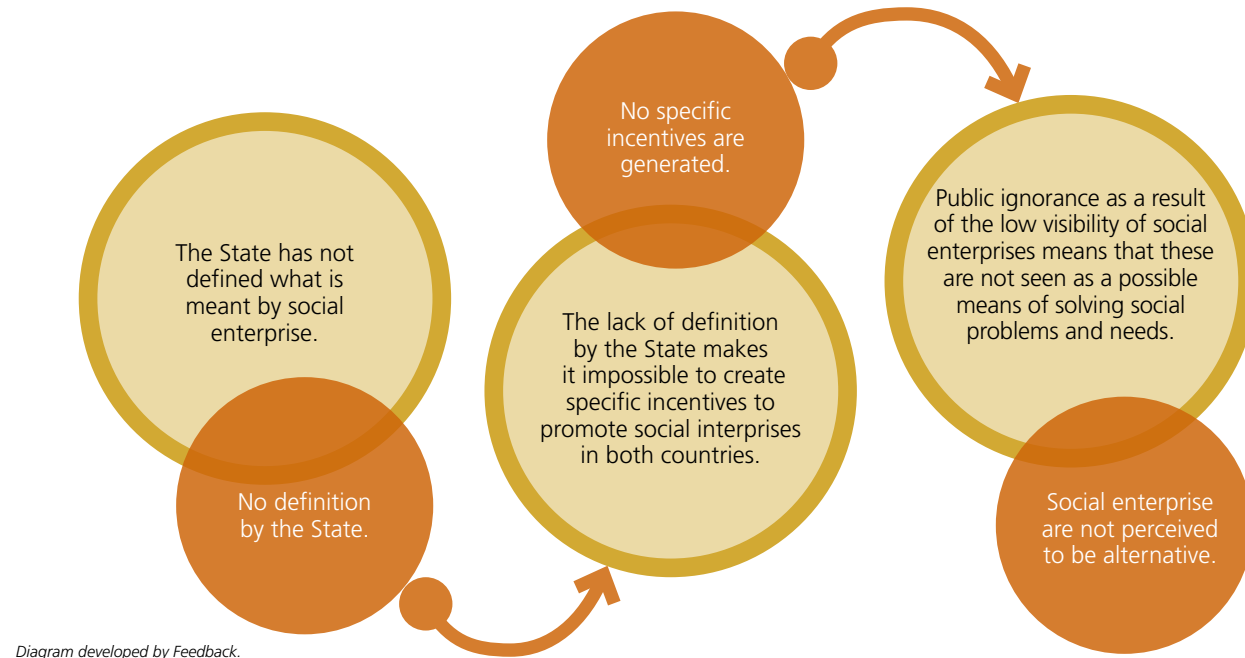


Diagram developed by Feedback.

In the case of Chile, although these difficulties exist, the following positive aspects indicate a favorable environment for efforts to promote growth within the sector:

- It is now much easier to be an entrepreneur and create an enterprise than it was before, but there is still much progress to make in terms of monitoring and supervision of the social enterprises that are being implemented.
- Social enterprises are an opportunity for the private sector to improve public perception of the role of private corporations in the country.

- Stakeholders associated with social enterprises have adamantly voiced their interest in advancing agreements to strengthen and develop organizations of this type in Chile.

The most recent information available regarding the current positioning of social enterprise in Chile can be found in the government program of the newly elected president, Michelle Bachelet. In her Government Program for the 2014-2018 period, the final section of the economic program about micro, small and medium-sized enterprises refers to the social enterprise sector.

In the case of Brazil, there are also favorable factors for social enterprises:

- Recognition of the social and solidarity economy through existing legislation and specific programs, in addition to several other laws that address social and environmental needs. This reflects a predisposition towards a possible positioning of social enterprises in the country.
- Stakeholders associated with social enterprises, including various public stakeholders, have shown particular interest in fostering the potential of social enterprises and have initiated an intra-sectorial dialogue to achieve this.

Despite these positive indicators, there seems to be a distance and a lack of dialogue between the public and private sectors on social issues. Both private sector and public sectors need to recognize the potential that social enterprises have in addressing many social needs that neither of these sectors have been able to resolve. The elimination of barriers and the creation of incentives that promote the engagement of social enterprises in the solution of these needs, should be the focus of this cooperation.

Is There a Role for Public Policies in Promoting Social Enterprises?

Based on the benefits that social enterprises generate for society, there is consensus among the interviewees and participants in the Brazilian and Chilean research that the social enterprise sector should be bigger and that public policies could play a fundamental role. On the one hand, there is the idea that government support is needed, while others opt for a healthy distance and light regulation. However, everyone agrees that before public policies for the sector can be proposed, there first needs to be a clear definition of the concept of social enterprise.

In Chile it is interesting to observe that the anticipated role of the State is not focused solely on financing, but also on areas including training, strengthening networks and promoting opportunities to meet and exchange experiences. Furthermore, the role of subsidies in supporting the development of social enterprises is still questioned by some. Finally, there is the recommendation that civil society and private individuals be supported in the generation of policies.

One aspect that causes concern **in Brazil** is the policy development process and the waste that this can generate. The experts consulted thought that public policies to promote the work of social enterprises would possibly not be necessary, as the development of these policies largely depends on the type and situation of the sector. In other words, they calculate that it will take time for the demand and the political conditions to mature. The obvious question is whether this process can be intentionally accelerated by using experiences from countries that are further advanced in this area.



Social Enterprise União de Mulheres (Brazil).



Social Enterprise Dorina Nowill Foundation (Brazil).

Current Status of Elements that Contribute to the Development of Social Enterprises

1. Define the Concept of Social Enterprise or Impact Enterprise:

For both countries, the concept has still not been defined and, therefore is dependent on the perspective taken in each case, for example, from a civil society or enterprise perspective. The definition used can even determine what role the government will play in promoting the enterprise. There is also a belief that enterprises must always maintain their social mission in their definition.

Discussions with experts revealed different criteria or dimensions underlying the various perspectives for understanding and defining social enterprises. These criteria, illustrated below, which were shared by interviewees in Chile and Brazil, suggest that there are as many definitions as there are combinations of these factors, which can be slanted towards either end of the spectrum:

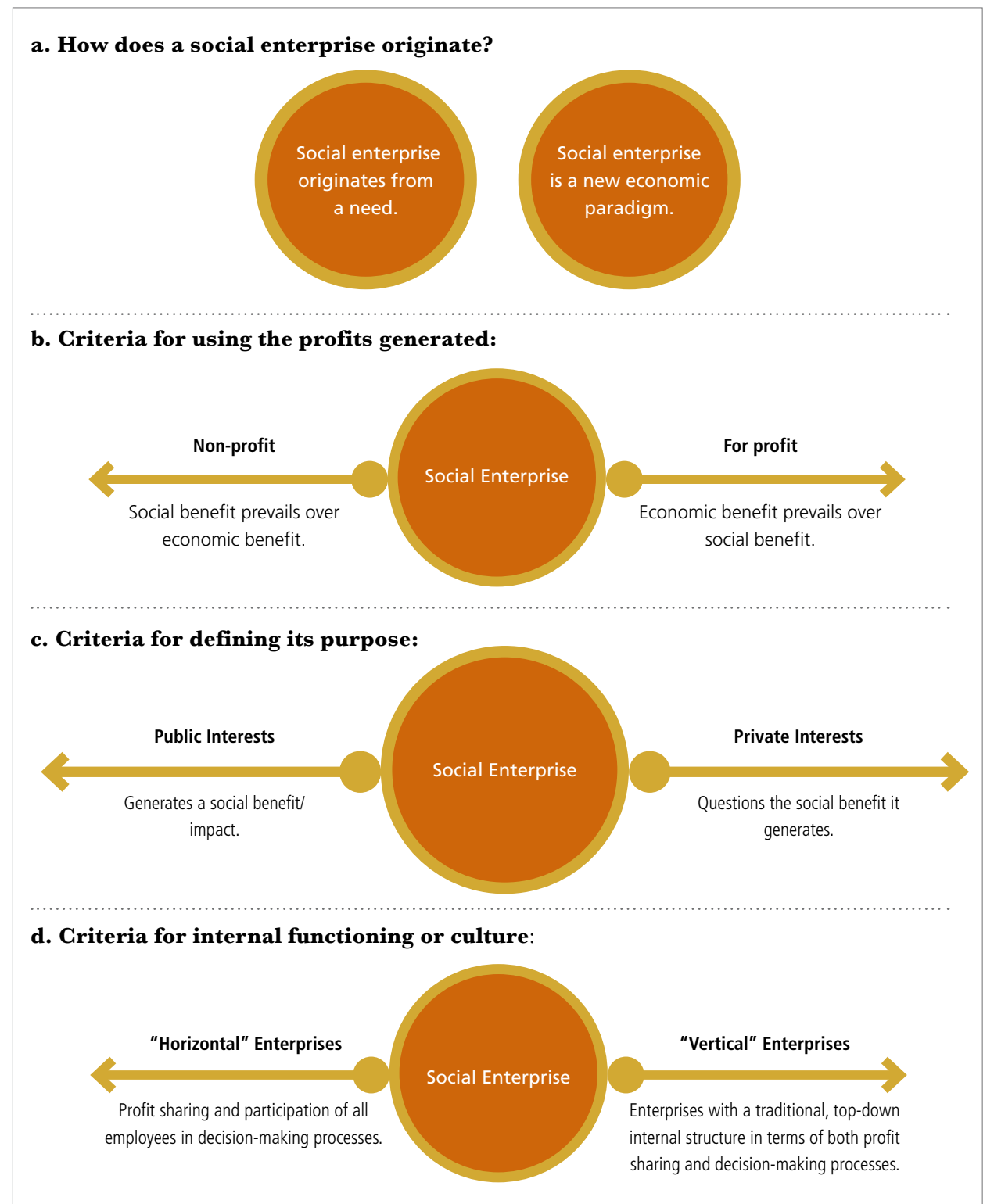


Social Enterprise Incores (Brazil).

Social Enterprise Ecotece (Brazil).



FIGURE 3
SPECTRUM OF SOCIAL ENTERPRISE DEFINITIONS





Panel on Social Enterprise organized by Sebrae National at Campus Party 2013 event.

2. Identifying the Needs Associated with Developing and/or Promoting Social Enterprises

TABLE 1
PRINCIPAL SOCIAL NEEDS IN EACH COUNTRY

Chile	Brazil
Public education	Illiteracy and functional illiteracy ⁷
Public health	Public health
Income distribution	Inequality
Rural and urban segregation	Basic sanitation
Centralization	Unemployment Violence Environment

It is important to pinpoint urgent social and environmental needs at the national level, in order to develop targeted policies to maximize the potential of social enterprises and achieve specific goals. This approach may also influence the decision as to which ministry should oversee efforts and determine the new public policy for social enterprises.

Taking into consideration the opinions of local leaders and stakeholders, social enterprises have certain expectations regarding the level of support they should receive to overcome obstacles and challenges once the social enterprise sector is recognized politically and publically:

⁷ A functional illiterate is a person who has completed less than four years of school. According to this definition, there were a total of 32.1 million functional illiterates in Brazil in 2002, of whom 26% were over the age of 15 (<http://www.scribd.com/doc/55677101/Políticas-Sociais-Intersectoriais-Relacionados-aos-Determinantes-da-Saude>).

TABLE 2
SUPPORT NEEDED FOR OVERCOMING OBSTACLES AND CHALLENGES

	Chile	Brazil
From the entrepreneurs	Training (including improvements to corporate governance). Access to coordinators and intermediaries (support services). Financing for the start-up phase. Increase the visibility of social enterprises to facilitate their development. Access to financing and/or support for administration and transparency.	Management information/training. Availability of human capital. Availability of risk capital. Clear information regarding the roles of stakeholders in the support chain. Support services: legal, marketing, accounting (incubation and acceleration). Access to the government as both a client and financier.
From the ecosystem	Local and regional support networks (work with municipalities). A framework which recognizes that social enterprises incur higher costs and therefore, allows them to compete on a more level playing field. Need to coordinate, integrate and generate communication between the various public institutions. In-depth study of the different roles and stakeholders involved in the national innovation and social enterprise ecosystem.	Specific regulatory framework. Encourage research, metrics and share expertise. Streamline procedures and paperwork, less bureaucracy, and fewer taxes. Need to invest in those who provide training.

Social Enterprise Apiumisexta (Chile).



Social Enterprise Apiumisexta (Chile).





3. Selection of Cases, Policies and Experiences to be Used as Reference

There is interest in conducting a sector by sector evaluation of the practices being carried out by social enterprises and studying other existing policies and areas of interest which could be expanded if social enterprises are given an opportunity to grow. Similarly, there is an interest in contrasting this information with the opportunities for social businesses in each country. The following experiences, listed by country, are noteworthy but do not represent the complete list.



Planning Workshop in Finance and Risk Mitigation, 2013 NESsT Portfolio.

TABLE 3
FOURTH SECTOR CASES, POLICIES AND EXPERIENCES

Chile	Programa Formación para el Trabajo (Workplace Training Program) of the National Training and Employment Service (SENCE), a comprehensive and holistic workplace training program that seeks to increase the number of men and women between the ages of 18 and 65 in the labor force.
	Programa de Innovación y Emprendimiento Social - PIES (Social Enterprise and Innovation Program), Corfo (The Chilean Economic Development Agency) focuses on strengthening social enterprise coordinators and intermediaries.
	Development of a draft bill to create a legal entity to formally recognize and promote social enterprises (Economy, Development and Tourism Ministry). The reasons for this bill and the lessons learned are clearly detailed in this experience.
Brazil	Ley de Aprendices, (Apprentice Law) helps young students without prior work experience to enter the formal labor market.
	Ley de Cuotas, (Quota Law) promotes the inclusion of people with disabilities into the labor market.
	National Solid Waste Policy, which includes important measures to address environmental, social and economic problems resulting from the inadequate management of solid waste.
	Food Acquisition Program (PAA) provides support to small farmers (family farming) and addresses hunger and poverty in Brazil.
	Todos a la guardería - Guardería para todos (Everyone to Pre-school - Pre-school for Everyone), ensures that children from 0 to 4 years of age have access to a full-time or part-time nursery or pre-school.
	National Plan to Eradicate Slave Labor, implemented in March 2003.
	National Policy for Sustainable Production and Consumption, promotes the adoption of environmentally and economically sustainable production and consumption practices.

The full document presents a series of national and international cases and examples, as well as the proposed model for positioning social enterprises. These examples show how different programs and policies have helped to stimulate the development of enterprises in other countries. Below is a list of the cases and examples described in this manual:

- Table 1 - Australia: Five examples of early-phase support
- Table 2 - Portugal and the development of public policies for the social economy
- Table 3 - Senegal and experiences of stakeholder involvement
- Table 4 - Social impact vouchers
- Table 5 - Investment fund and contract preparation
- Table 6 - Experiences with different levels of government, i.e. central and local
- Table 7 - Experiences with public and sectorial agendas
- Table 8 - Two examples of developing a legal entity
- Table 9 - Workplace Training Program (SENCE)
- Table 10 - Social Enterprise Investment Fund, United Kingdom
- Table 11 - The experience of Medellín and public policy for the solidarity economy
- Table 12 - Social Innovation and Enterprise Program - PIES, Corfo
- Table 13 - INCORES: a social enterprise incubated by NESsT, inspired by the Ley de Aprendizaje (Training Law)
- Table 14 - Fundación Dorina Nowill Para Ciegos (Dorina Nowill Foundation for the Blind): a social enterprise incubated by NESsT
- Table 15 - Europe and a network of policy makers focused on social enterprises
- Table 16 - Round table on social enterprises with Sebrae (Brazilian Service of Support for Micro and Small Enterprises)
- Table 17 - Ontario (Canada) and its social enterprise strategy
- Table 18 - Bristol, United Kingdom, a city of social enterprises
- Table 19 - Social Value Act, United Kingdom

4. Maintain Permanent Dialogue with Stakeholders

Both in Brazil and Chile, it is agreed that the interactions between groups promoting social enterprises need to be strengthened. This includes the social enterprises themselves, cooperatives, non-profit organizations that formulate self-financing measures, investors, academia, research centers dedicated to the issue, foundations and donors. This need reveals the major weaknesses that currently exist within the sector.

There is also widespread agreement on the need to define the common values of social enterprises, as this would also help to define public policies. All interest groups will have to participate in setting a common agenda with clear priorities to enable stakeholders to effectively integrate their efforts.

Although there is a clear willingness in both countries to create a permanent discussion group among stakeholders to promote the sector, share lessons learned and interact with policymakers, there are also those who argue that instead of



creating a new space for discussion, it would be better to expand upon what already exists. Clear membership criteria, transparency guidelines for interactions, and best practices for internal governance must be adopted for this discussion group or network.

The challenge for this network or community is to ensure the participation of individuals who have decision-making powers in public institutions. There have been more formal instances of this type of interaction in Chile, such as the technical roundtable that was involved in developing the social enterprise bill. Although Brazil already has a group of stakeholders leading the dialogue, several of whom are from the public sector, there needs to be a mapping of key actors in the federal government, both within the executive and legislative branches. This will help determine those who are more likely to become champions of social enterprises within the Brazilian government.

5. Develop a Positioning Strategy for the Social Enterprise Sector

Given the institutional differences between Brazil and Chile, the ideas for a social enterprise positioning strategy are quite varied. In Brazil, for instance, the first step is to examine how to incorporate the role of the federal government, given the magnitude of the State.

One aspect that is important for both Brazil and Chile is to have a specific legal framework for the sector. This would be well received and seen as beneficial in both countries because it would represent an important step towards legitimizing the sector. However, it should be noted that in spite of the challenges posed by the legal frameworks that already exist in Brazil and

Chile, the sector is still actively trying to generate greater social impact.

In the case of Chile, the public sector plays a key role and should be able to ensure that the State commits to long-term goals to promote the development of social enterprises. In contrast, the private sector's role is to support the growth of social enterprises so that they may become officially recognized service providers in the country.

Central Government is responsible for ensuring that the social enterprise sector is incorporated into the public agenda, increasing the visibility of social enterprises as a national issue. Therefore, the positioning strategy should include this role as a goal for defining concrete actions. Given the proximity of local governments to the needs and problems experienced in communities, there is an opportunity to define concrete actions which should be used strategically to highlight and link more directly the potential solutions proposed by social enterprises.

In terms of the public and policy agenda, the recommendations related to a positioning strategy emphasize the following components:

- Raising public awareness of social enterprises and how they impact development at a local and national level.
- Increasing the visibility of social enterprises as a development opportunity for the country and aim to include a representative for social enterprises in the National Council on Innovation for Competitiveness (Consejo Nacional de Innovación Para la Competitividad). This public-private entity is responsible for advising the President of Chile in identifying, formulating and executing

policies and actions to strengthen innovation and competitiveness in Chile.⁸

- Securing the State's commitment to the development of social enterprises and increasing its visibility through widespread dissemination of existing opportunities.

In the case of Brazil, the positioning strategy should include holding a broad discussion on concepts and definitions, and aligning positions with other stakeholders within Brazil's social enterprise ecosystem. Three thematic areas are key:

- Mapping both philanthropic financing and investment and defining what is available and what needs to be developed?
- Clarifying the differences between social enterprises and impact investment and their respective needs.
- Deepening the understanding of existing public policies for the solidarity economy and others identified that could be considered as opportunities and benchmarks for social enterprises.

There is no evidence to suggest that the point of departure should be the federal government, as mentioned previously. However, if this were the case, it could be worth highlighting the opportunities for economic development in order to generate interest. The recommended route would be to work through the municipalities and local governments and, given the level of budgetary autonomy they have, their public procurement systems, until sufficient interest is generated within the federal government.

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⁸ <http://www.cnic.cl/>

To maintain a permanent dialogue among stakeholders, there needs to be a mapping of key actors in the federal government, both within the executive and legislative branches, in order to determine who are most likely to become "champions" of social enterprises.

The indicators and metrics used to measure social impact are an important element of the strategy and are the best tool for convincing the government of the value generated by social enterprises. The strongest evidence would be to demonstrate the demand for social enterprises among low-income communities and marginalized groups, as well as the high efficiency of social enterprises, which could be made even higher with governmental support in the form of more flexible laws, e.g. tax laws.

The experts recognize that it is important for the sector to have a stronger and more unified voice in Brazil. This voice should be one of leadership, and steer the design and conceptualization of an association that represents all the voices, institutions and stakeholders to create a common agenda and define collective interests.

Opportunities within Public Procurement

Both Chile and Brazil have systems for public procurement (ChileCompra and ComprasNet respectively) that rely on technology to make them more efficient and transparent, in addition to an interest in making public procurement more sustainable. Nonetheless, both countries need to advance further in including social enterprises within these processes in a formal and visible manner. There is a belief that it would be beneficial to legislate on the existence of social enterprises to make it easier to identify and include them into the public procurement process.

In the case of Chile, although there is a guide for socially responsible public procurements that refers to social criteria for decision making, the verification mechanisms are still not entirely clear and are, ultimately, only used as recommendations. This situation poses several challenges when it comes to explicitly including social enterprises within the public procurement process, particularly in terms of how to achieve guarantees verifying the social and environmental attributes they offer, given the complex nature of the process and the many variables involved.

In relation to a positioning strategy for social enterprises, our recommendations point towards working closely with the National Normalization Institute (Instituto Nacional de Normalización - INN), which is part of the Sustainable

Procurement Committee (Comité de Compras Sustentables) and deals with certification or accreditation regulations.

In the case of Brazil, current legislation supports the inclusion of social and environmental criteria within public procurements, but it lacks mechanisms to enforce or strengthen the measures, or at least evaluate the results achieved. Advancing in this matter is a question of political will and currently there is no interest in analyzing social impact in more detail due to a lack of clarity on the benefits of social enterprise for the State. Until the system includes the concept of social enterprise, the view is that promoting procurements from social enterprises is merely promoting a social mission or being philanthropic, as opposed to procuring competitive products or services.



Conclusions and Final Recommendations

The main conclusion gathered from this review process is that social enterprises are a means to an end that have the ability to transform the economy. The most effective argument for positioning social enterprises on the policy agenda has been their commercial value and cost-effectiveness in terms of public spending, as opposed to the moral argument of being a fairer way of doing business.

International experiences confirm that the social enterprise sector has been growing successfully in the most developed countries as a result of an actively involved public sector, as well as state-led initiatives to foment the development of the sector.

In our region, both in Brazil and Chile, there is a growing interest in social enterprises that is managing to override the lack of consensus regarding a single definition for the sector. There has been an increase in the number of stakeholders interested in impact enterprises who recognize their potential to solve social problems.

Although debates regarding a single definition for social enterprise are ongoing, there are clear features that enable us to identify and distinguish a core group of enterprises that are driven by social values. In Chile and Brazil, stakeholders are keen to advance with actions to promote the sector, rather than become trapped in defining the social enterprise concept.

The size and structure of Brazil's state governments is making the process of developing public policies more complicated. While the government offers opportunities, its involvement can be problematic and impede progress. It will be essential to carry out further research into

current laws and the opportunities they provide to social enterprises.

Positioning the social enterprise sector on the public and policy agenda is the key challenge identified in both countries. Various elements need to be addressed in order to establish a general framework for positioning social enterprises on the public and policy agenda which will in turn provide guidance to stakeholders on how to move forward.

Public procurements represent an excellent opportunity for social enterprises; however, there is no broad consensus at a local level on how to implement such initiatives. This lack of consensus is creating resistance, for example, towards a quota policy or the need to differentiate based on additional social criteria.

Undoubtedly, it is difficult to estimate the number and type of public policies that promote the development and growth of social enterprises. Hence, this suggests a need to define a set of viable alternatives for each case based on factors such as the level of development of the country and the social enterprise sector itself, the complexity of implementation, the existence of political will, the resources available, etc. The set of alternatives for each case should ultimately be determined by the specific needs that exist and the local context. It is recommended that this process should be as inclusive as possible in order to ensure optimal end results.

The next step for researchers and policy makers alike is to identify the policies that can be justifiably adopted in each country and sector in accordance with the particular conditions and contexts that exist.



About NESST

Founded in 1997, NESST develops and invests in social enterprises that solve critical social problems in emerging market countries. The organization supports pioneering early-stage enterprises, which pilot new business models and approaches to tackle social issues. Because of their innovative models, NESST Enterprises create new markets that can be replicated and catalyze changes in behavior or within the broader system.

NESST uses a long-term portfolio approach to develop social enterprises. We provide business planning support in order to identify and select the best ideas. We launch the most promising enterprises and we incubate them with capacity support and tailored financing. We then scale those enterprises with patient investments to multiply their impact.

NESST has invested over USD\$8.2 million in capacity and financial support to launch over 145 high-impact social enterprises. NESST Enterprises have directly improved the quality of life of 350,000 marginalized people.

As a thought leader, NESST has been at the forefront of social enterprise development, conducting extensive research and disseminating many publications on best practices. We have organized numerous forums on this topic, and are the founder of Social Enterprise Day, an annual event that focuses on fostering an enabling environment for the sector. We leverage our thought leadership to promote policies that further increase the impact of social enterprise.

The organization has six country offices, representative offices in San Francisco and London, and works throughout Central Europe and Latin America. The majority of staff are emerging market professionals and we count on the support of over 300 volunteer business advisors to mentor our enterprise portfolio. NESST's consulting services have taken our work to 48 countries for over 100 clients to advance social enterprise around the world.



Positioning Social Enterprises in the Policy Agenda:

Road to Travel
EXECUTIVE SUMMARY

Current models and approaches from both the private and public sectors have not been able to solve social problems such as inequality or lack of opportunities for low income and marginalized communities. In many parts of the world, however, social enterprises are emerging as a viable alternative. These “hybrid” companies address social, economic and environmental problems through market based solutions. Given their proximity to the affected communities, and their willingness to take a more patient approach to profit, social enterprises are often better positioned to solve problems that others have not been able to overcome.

Thanks to public policies promoted by governments, social enterprises have been able to develop more strongly in Europe, where it is estimated that the entire social economy involves over 11 million people, about 6% of the active labor force. It represents USD 92 billion of the UK economy, with more than 2 million jobs, while in the U.S. it is estimated that the sector represents 3.5 % of GDP and 10 million jobs.

Latin America is lagging behind in this respect, where there is still no legal or regulatory framework for social enterprise or recognition of the potential of these businesses to address critical social issues. At the same time, there is growing evidence that the State can play an important role in helping this sector to grow and have the impact that it has demonstrated in other countries.

Positioning Social Enterprises in the Public Agenda: Road to Travel, grew from both this concern as well as this opportunity. The authors set out to document, understand and disseminate good practices in policies for social enterprises, and ultimately to contribute to the development of the sector in Latin America and globally. The book introduces a model of how to position the issue on the public agenda in a way that responds to the most urgent social needs of the country and the sector, building on existing local policies as well as those from other countries, and involving stakeholders in permanent dialogue. The Road to Travel, aimed at public policymakers and key sector players, includes 34 cases of best practices in public policy and a strategy to move faster to address our most intractable problems through a new economy.

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