The State of Social Entrepreneurship in Portugal

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The State of Social Entrepreneurship in Portugal SEFORÏS Country Report

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Executive Summary

Portugal is facing big social challenges. In 2011, it was the sixth most aged country in the world and currently there are 130 seniors for every 100 young people. On the other hand, due to the financial crisis, in the last year the youth unemployment reached record highs with a rate of 37.7%. Social organizations, affected by government budget cuts, are concerned to diversify their sources of revenue in order to become more sustainable and survive the crisis. For these reasons, the social entrepreneurship is increasingly at the center of discussions, especially between academics and actors from the social economy.

Societal innovation and social entrepreneurship have definitively an important complementary role to play in our economy and society at large in tackling these major societal challenges. Pursuing social goals in an entrepreneurial way, combining societal and economic progress, grow a "shared value" economy which contributes positively to society and its challenges.

This Portuguese SEFORIS country reports highlights below 5 remarkable questions, findings, topics of debate to illustrate the current status of social entrepreneurship in the country. Therefore some literature and desk research, interaction with stakeholders took place.

1. Awareness about social entrepreneurship is rising

Despite the lack of a common definition and understanding of the concept of social entrepreneurship, the number of discussions around this theme is growing trying to bring together people from different sectors. Some annual competitions have been launched to award individuals that have innovative ideas that can help to solve social problems. Recently, some projects have been launched to help the understanding of the state of the art, such as of the Map of Innovation and Social Entrepreneurship and the Social Investment Lab, by the Social Entrepreneurship Institute.

2. The definition of the scope for social innovation and enterprise is still taking shape

Whereas the year of 2013 was marked by the promulgation of the law of social economy an explicit mention of defection of the scope and terms of social entrepreneurship is still lacking. The notion is emerging from practice, as social initiatives take place, but the lack of a formal definition and categorization, creates difficulties for measuring the activity and its impacts.

3. Social entrepreneurs are socially engaged people, with a previous history of involvement in associations and social causes, and typically have a high level of formal education

The community of social entrepreneurs is still fragmented and not many platforms or contexts exist for sharing the knowledge and experiences. The social entrepreneur typically is someone who learns along its way, through a history of former experiences in social causes, associations, etc. Emerging social entrepreneurs are typically citizens with university education, notably in areas linked to culture, agriculture, arts, and care.

4. Societal challenges related to aging population and unemployment are key areas for social innovation and entrepreneurship initiatives.

Portugal is facing important challenges to the sustainability of the welfare system, due to an increasingly aging population and high unemployment (e.g. youth unemployment, long term unemployment for population aged 45-50). This is stimulating the society to rethink its social model, and to look at social entrepreneurship as a way to address social needs while creating employment opportunities.

5. The profile and capabilities of the structures and tools to support entrepreneurship are still more oriented toward supporting technology based enterprises

The country's R&D policy has promoted the development of technology based companies for some time, with a strong investment in universities, research labs, and structures such as business parks and incubators. Under this framework social enterprises are still hard to frame. The tools for supporting new venture development (e. g. risk capital) and the capabilities needed to develop services to support entrepreneurial development still hold a lens which cannot fully assess the value and sustainability of social initiatives.

1. Key facts and figures on social entrepreneurship

1.1 Definition and common understanding of social enterprise

- There is no legal definition of social enterprise in Portugal. In 2013, the year when the law
 of social economy was promulgated, no explicit reference was included to social
 enterprises. According to the law, in Portugal, the following entities are considered part of
 social economy:
 - o Co-operatives;
 - Mutual Societies:
 - o Misericórdias (religious organizations);
 - Foundations:
 - Private institutions of social solidarity not covered by the previous categories;
 - Associations with altruistic purposes that operate in the cultural, recreational, sports and local development scope;
 - Other entities having legal personality that respect the principles of social economy presented in the Portuguese legislation.
- In Portugal, the term "social enterprise" is rarely used and frequently replaced by "social organization" usually associated to non-profit organizations. In the same way, the social entrepreneurship is frequently perceived as a practice of organizations from the third sector.
- Over the last years, the number of discussions around themes like social entrepreneurship, social innovation and social economy has been growing, bringing together people from different sectors. However, the meaning of these concepts seems not to be clear (or the same) for everyone. Also, the participation of academics and people from the third sector is still more representative than that from public and private sectors.

1.2 Size of social enterprise¹

- In 2013, the Social Entrepreneurship Institute launched the research project "Map of Innovation and Social Entrepreneurship in Portugal" with the purpose of identifying and mapping innovative initiatives, therefore aiming to build knowledge, using a methodology which closely involves local communities. The applied methodology focuses on the analysis of the competitiveness of the innovative business models identified, and on publishing and disseminating national and international success stories and best practices. The results of this work will be published until the end of the current year (2014). Until February 2014, in Portugal 216 initiatives were evaluated positively, i.e. holding potential for social innovation and entrepreneurship.
- It is not possible find explicit data related to the social entrepreneurs in Portugal. The only data available are the results of the pilot project of the Satellite Account of Social Economy published by the Statistics Portugal in 2010. In the report entities of Social Economy were classified in five main groups: co-operatives, mutual societies, misericórdias, foundations, associations and other social economy organizations (SEO).
- According to the Satellite Account, in that year the social economy in Portugal was constituted by 55 383 entities, that generated 2.8% of the national Gross Value Added (GVA) and 5.5% of the paid employment (full time equivalent) in Portugal.

¹ Statistics Portugal. 2010. "Satellite Account for Social Economy". Accessed February 11, 2014.

Table 1: Key data of Social Economy Organizations (SEOs) in Portugal

Type of organization	Count	%	GVA (10 ⁶ euros)	%	Paid employment	%
Co-operatives	2260	4.1	749.2	17.6	31783	14.0
Mutual Societies	119	0.2	329.9	7.7	4537	2.0
Misericórdias	381	0.7	518.3	12.2	32493	14.3
Foundations	537	1.0	361.1	8.5	10765	4.7
Associations and other SEO	52086	94.0	2304.1	54.1	147357	64.9
Total of SEO	55383	100.0	4262.6	100.0	226935	100.0
Total of Portuguese Economy	-		151426		4138163	
Weigh of the SE in Portugal	-		2.8%		5.5%	

 The voluntary work was an important resource for this type of organizations, representing about 40% of the total employment in the social economy (expressed in FTE), according to the results of the pilot survey on Volunteer Work 2012.

1.3 Sectors and regions in which social entrepreneurs are active

Whereas there is no explicit data accounting for social enterprises, it is possible to identify a growing number of ideas and initiatives, with social goals, promoted by citizens, groups and some organizations (e.g. associations). The more popular domains of action seem to be related to the needs of an aging population, an important trait of the Portuguese population nowadays (i.e. health assistance, day-care). Other types of initiatives that are gathering the interest of the society are related to the valorisation and sustainability of traditional arts and crafts, as well as agricultural businesses (e.g. development of cooperatives to produce local varieties of products).

Industrial sector

The projects/ initiatives of social entrepreneurship in Portugal are mostly directed to people with disabilities, children and youth, elderly and unemployed. It is possible identify a wide variety of social challenges addressed by these initiatives of social entrepreneurship in areas as health and well-being, environment preservation, unemployment, ageing and social exclusion.

Regional level

In Portugal, social entrepreneurs are concentrated in the two biggest metropolitan areas (Lisbon and Oporto), where also are concentrated the entities and structures that support those initiatives (Social Entrepreneurship Institute, financial players, spaces for incubation, etc.).

1.4 Recent developments in social entrepreneurship

- Last February 2013 the Social Investment Lab was launched, a project of the Portuguese Social Entrepreneurship Institute, that intends to be a knowledge center of reference in the area of social investment, seeking to disseminate international best practices and innovative financial instruments and studying its applicability to the Portuguese reality.
- There are some annual competitions to award individuals that have innovative ideas that can help to solve social problems (Ideias de Origem Portuguesa, Programa EDP Solidária, Programa de Empreendedorismo Social), that have a monetary recompense as prize and support in the development, test and implementation of projects.

2. General country context

2.1 Number of inhabitants and size of country

Table 2: Number of inhabitants and size of country

Number of inhabitants	10.487.289 (2012)	Sub-
Size of country	92212 km² / 35 603.25 mi²	
		- 1-8-Ş

2.2 Top 5 societal challenges

Table 3: Top 5 societal challenges

Poverty and social exclusion

- 25.3% of Portuguese population lives at risk of poverty or social exclusion².

Aging population (cost for health care and pensions, loneliness ...)

- In 2011, around 20% of Portuguese population is over 65 years old.
- It is estimated that in 2030 there is a person over 50 years old for two young or employed people³.

Labour market: Youth unemployment

- In 2013, the youth employment (people aged 15 to 24) rate in Portugal was 37.7% 4.
- The employment rate of people aged 20 to 64 in Portugal is 66.5% (2012) EU2020 objective: $75\%^1$

Education (Early leavers from education and training and tertiary educational attainment)

- The share of early school leavers is 20% of Portuguese population (2013) EU2020 objective: under 10%
- In 2013, 28.6% of 30-34 years old had completed a tertiary or equivalent education EU 2020 objective: at least 40%

² Eurostat. 2014. "Europe 2020Indicators – Headline Indicators for Portugal". European Commission. Accessed March 20, 2014. http://epp.eurostat.ec.europa.eu/portal/page/portal/europe_2020_indicators/headline_indicators ³ Fundação Francisco Manuel dos Santos. 2012. "Projecções 2030 e o Futuro". Accessed March 20, 2014. http://www.presentenofuturo.pt/pdf/CenariosDemograficos2030.pdf

⁴ Pordata.2014. "Taxa de desemprego: total e por grupo etário (%)". Fundação Francisco Manuel dos Santos. Accessed March 20, 2014.

http://www.pordata.pt/Portugal/Taxa+de+desemprego+total+e+por+grupo+etario+(percentagem)-553

Environment & energy: Renewable energy

- The share of energy from renewable sources in gross final energy consumption was 24.6% in 2012
- Portugal has the objective to have a share of 31% of energy from renewable sources in gross final energy consumption in 2020

Overview of (social) policy, entrepreneurial and civil society 2.3 landscape

Table 4: Overview of landscape

(Social) Policy Landscape	Entrepreneurial Landscape ⁵	Civil Society Landscape
SOCIAL EXPENDITURES ⁶ 26.4 % of GDP (2013)	HIGH Global Entrepreneurship Monitor (GEM) SCORE	- Important economic actor: 5.5% of Paid employment 2.8% of GVA
POLITICAL STABILITY AND ABSENCE OF BIOLENCE	- Perceived capabilities - Fear of failure	Growth trend
(2012) ⁷ Rank 70 (0=lowest; 100=highest)	 New business ownership Established business ownership 	- Broad range of activities: socio-economic, socio- cultural, health & well-being, education,
RULE OF LAW (2012) ⁶ Rank 82 (0=lowest; 100=highest)	- Necessity-driven	religion, sports - Largest economic weight:
	LOW GEM SCORE - Perceived opportunities - Improvement-driven opportunity	Social service (to vulnerable groups like the elderly) Cults and congregations

Note: GEM stands for Global Entrepreneurship Monitor. The scores indicate nationwide attitudes, activities and characteristics which have a positive or negative influence on entrepreneurship. The scores for Portugal are compared with the mean scores of the innovation-driven countries comparison group.

 $^{^5}$ "Global Entrepreneurship Monitor 2013 Global Report." GEM Consortium 2013. Accessed March 20, 2014. 6 "Social Expenditures - Aggregated Data." OECD 2013. Accessed March 20, 2014. http://stats.oecd.org/Index.aspx?Queryld=4549

[&]quot;Worldwide Governance Indicators." The World Bank Group 2013. Accessed March20, 2014. http://info.worldbank.org/governance/wgi/index.aspx#home

3. Social enterprises in (an institutional) context

3.1 Institutional and stakeholder landscape of social enterprises

• Policy makers - public authorities

Portuguese authorities are organized at national level, province and local level. Whereas there's a growing effort to decentralize competencies, the decision processes remain to some extent centralized.

• Non-profit organizations - civil society organizations

Given the budget cuts by public authorities a growing number of non-profit organizations search for new sources of revenue, new ways to accomplish their social mission and become more social entrepreneurial.

· Commercial organizations

Commercial organizations paid more attention in recent years to their societal role. The concept of CSR became more known and put into practice (for example, the University of Aveiro was invited to collaborate with the Port of Aveiro in the development of its strategy for social innovation). Some social organizations and commercial enterprises relate as supplier-client in a B-2-B context.

• (Social) Business support organizations

Social entrepreneurs can rely on dedicated support organizations besides general oriented support services. Some consultancy organizations offer services to social entrepreneurs like Social Entrepreneurship Institute, TESE, ESLIDER Portugal.

Academic world

During last years the concept of social entrepreneurship and social enterprise received growing attention in the academic world. Programs, courses and events are organized on social innovation and entrepreneurship in several universities. Some of them provide support for the development and incubation of social enterprises.

Consumers – clients – general public

In the context of crisis citizens are invited to find solutions for social problems. They have an important role in the development and implementation of social entrepreneurship initiatives in Portugal. There are some competitions that promote their participation and that have a good adhesion.

3.2 Key context dimensions for social entrepreneurs

Welfare state

The welfare state is facing increasing pressure driven by factors such as the changes in the demographic profile of the population, notably he ageing of the population, and the increase in employment rates. The country is involved in a deep discussion about the sustainability of

the social system, while important reforms are taking place, e.g. changes in the age of retirement, changes in the healt system and its coverage, etc.

• Social enterprise-specific legislation

There is no legal definition of social enterprise in Portugal. Social entrepreneurs in essence are forced to adopt other legal forms for the establishment of their businesses that can limit them in their action.

· Regulatory density

The lack of a specific legal profile for social enterprises might be an important barrier to the setup of new organizational forms addressing social needs.

· Cultural values, norms

Portugal is a nation with a long historical background in Europe, established in 1143, holding a strong and unified cultural and national identity. The recent history has been marked by the dictatorship that lasted till 1974, and since then country has established a young democratic system with a strong social welfare approach. This legacy has had its impact on the development of the desired entrepreneurial spirit in Portuguese citizens, which still struggles with some inherent constrains.

3.3 Linkage between social entrepreneurs and inclusive society

In Portugal, the major social problems faced are the youth unemployment and the ageing of population. The incentives for the development and implementation of initiatives of social entrepreneurship to meet the needs of these groups are increasing. This is one way to find solutions to other social problems and at the same time promote the self-employment and the active aging. A good example is the intergenerational entrepreneurship program "United at Work".

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⁸ http://uaw.unitedatwork.eu/index.php

4. Organization of social enterprises in market and society

4.1 Legal form of social enterprises⁹

According to a project of University of Oporto (Social Entrepreneurship in Portugal: policies, organizations and training/learning practices; 2013) "The scarce number of scientific studies about the third sector in Portugal, the lack of national statistics on the sector and the consequent limited understanding of its working rationale, alongside it heterogeneous legal forms as well as the organizational and management structures partially justify the fragile identity of the sector." The study considers that the third sector in Portugal includes three major legal forms: associations, cooperatives and foundations. In the figure bellow, is represented the number of organizations that adopt each one of the multiple legal forms that constitute this sector of activity in the country.

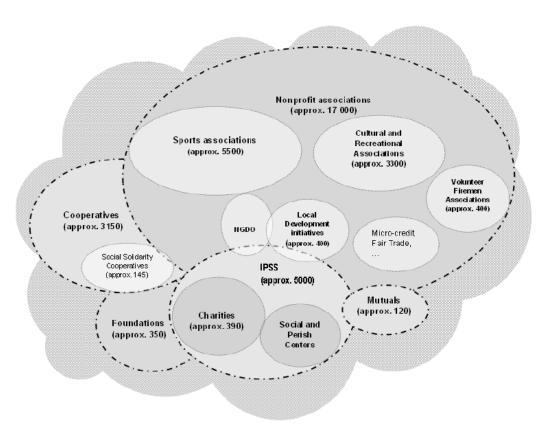


Figure 1: The third sector in Portugal

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⁹ Quintão, Carlota. 2011. "O terceiro sector e a sua renovação em Portugal: uma abordagem preliminar". University of Oporto Institute of Sociology Working Paper 2.

4.2 Operational model of social enterprises

In Portugal, it is possible to identify social entrepreneurship initiatives that fit the different operational models as fee for service model (low-income clients), cooperative model, service/organizational subsidization model or the employment model. However, it is difficult to quantify the weight of each one of these models in social economy.

4.3 Important values for social entrepreneurs

Emerging social entrepreneurs are highly motivated people, typically previously involved to some extent in other collaborative or socially concerned initiatives, such as social movements or associations.

Most of the citizens involved in the setup of social innovation ideas have a high level of formal education, mostly holding a university degree.

5. Financing of social enterprises

5.1 Sources of revenue and funding for social enterprises¹⁰

In 2010, the Social Economy sector had a net borrowing of 570.7 million Euros. However, cooperatives (mainly due to those that integrate the financial area), mutual societies and foundations of Social Economy showed net lending capacity. The resources of social economy organizations were mainly generated by production (62.8%) and other current transfers and subsidies (23.8%).

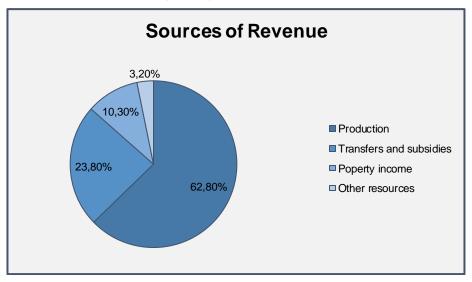


Figure 2: Sources of revenue of Social Economy Organizations

5.2 Financial Crisis

In Portugal, the social entrepreneurship became more popular mainly because of the actual situation. With the financial crisis, the government proceeds to budget cuts and social organizations, highly dependent of state funding, are more vulnerable. There is a growing sense of urgency amongst these organizations to diversify revenue streams, in order to survive and achieve financial sustainability.

5.3 (New, dedicated) players

- Relatively new private social impact investors
 - BIS Fund, launched in 2013
 - BVS (replicates the environment and concepts of a Stock Exchange, benefiting Social Organizations carefully selected to participate on that exchange)
- · Other private financial players
 - Montepio Foundation, created in 1995
 - o EDP Foundation, created in 2004

¹⁰ Statistics Portugal. 2010. "Satellite Account of Social Economy". Accessed February 11, 2014.

- Financial support from public authorities
 - o SOCIAL INVESTE, Program launched in 2011
 - The programme supports social economy organizations in the investment in existing areas or new areas of intervention, in the modernization of services provided to communities and in the modernization and strengthening of treasury management. The projects submitted to finance should be economically viable, targeting the eligible operations (mentioned above) and its implementation should generate job opportunities in the entity.
 - o COOPJOVEM, Program launched in 2012

Program designed to support the cooperative entrepreneurship, namely young people in the creation of cooperatives or investment projects involving the net creation of jobs in existing agricultural cooperatives as a way to develop a culture of solidarity and cooperation, and promote the self-employment. The participants have access to a grant for the development of their cooperative project, technical support to broaden skills in cooperative entrepreneurship and empowerment in the area of structuring cooperative project, and access to credit for investment, subsidized and guaranteed.

• Important new and redesigned European financing instruments are putting an ever greater emphasis on the importance of supporting social enterprises.

6. Innovations of social enterprises

6.1 Innovation drivers and barriers

The lack of many examples of social enterprises can be considered as a key barrier to the development of the field, because emerging social entrepreneurs find it hard to anchor themselves in the learning from other examples.

Another important barrier stems from the fact that the country R&D policies have put a strong emphasis in the development of technological entrepreneurship over the last years, rather than other types of entrepreneurship. Universities and research labs were key partners in this endeavour, with many universities holding their own incubators, specifically targeted to nurture technology based companies, spinning off from university research projects. Nowadays the managers of the existing incubators are finding it difficult to understand the needs of social entrepreneurs and have difficulties in providing them the adequate services and assistance for the development of this type of ventures. The same applies to the availability of credit and risk capital. The ability of the organizations to offer capital to assess the value and the sustainability of social initiatives is yet limited.

6.2 Typology of innovations

According to some examples of social entrepreneurship in Portugal identified and presented in the website of the Social Entrepreneurship Institute¹¹, we can conclude that the majority of these innovations are service or process-related;

There are rarely cases where the innovation is the introduction of a new product in the market.

6.3 Innovation process

In Portugal, social entrepreneurs mostly develop innovations in collaboration with competitors and other organizations in the field/sector that promote competitions and provide support for the development and implementation of new ideas (e.g. Social Entrepreneurship Institute, BIS, Gulbenkian Foundation) and their customers or clients.

¹¹ Instituto de Empreendedorismo Social. "Projetos ES+ Identificados". Accessed February 5, 2014. http://www.ies.org.pt/235173/2565728/identificacao/projetos-es-identificados

7. Impact of social enterprises

7.1 Impact measurement: does this take place?

In Portugal, as in Europe, this is an emergent topic. Due to the need of diversify the sources of revenue, organizations are "obliged" to measure their social impact in order to attract potential social investors. However, there are few organizations that effectively measure the value created because they do not know how to do it and not have human resources with technical management skills.

7.2 Impact results and dimensions

Organizations measure their social impact through dimensions/metrics that are easy to monitor, as the employment, lives touched or activity measure.

7.3 Trends and developments related to social impact

In 2013, CASES and Montepio Foundation promoted the Social Impact Program ¹². Were selected 10 entities of Social Economy (from 60 applications) and was provided support in order to empower them to the measurement of their social impact, using the methodology SROI – Social Return on Investment (SROI Network). The Social Entrepreneurship Institute will promote for the first time, in this year, a new training program (Scale4Impact) for project teams with social impact that want to build a plan for a sustainable growth and maximize their impact. These are clear evidences that this topic is gaining importance in Portugal.

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¹² Programa de Impacto Social. Accessed April 14, 2014. http://www.impactosocial.pt/,

8. Overview of studies

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