



Western Development Commission (WDC) Submission to Closing Phase Public Consultation for the National Social Enterprise Policy (2024-2027)

31st January 2024

Introduction

The Western Development Commission (WDC) is a statutory body with a remit to promote and encourage economic and social development in the Western Region (counties Donegal, Sligo, Leitrim, Mayo, Galway, Roscommon, and Clare). The WDC operates under the aegis of the Department of Rural and Community Development. We welcome the opportunity to make a submission to the closing phase of the public consultation for the next National Social Enterprise Policy.

In this submission we first provide some brief context specific to the Western Region and then address some of the specific questions provided in the Public Consultation document. Our submission is based on:

- Insights and recommendations which draw on the WDC's role and significant experience in supporting the social enterprise sector directly and indirectly for over two decades. Through the Community Loan Fund of the Western Investment Fund, the WDC has to date provided €21.2 million in social finance to 145 projects, encompassing a broad spectrum of community projects and social enterprises, such as sports and recreational facilities, community and enterprise centres, Community Hubs and social care facilities. The WDC has also played a significant role in the development of a number of strategic regionally-focused projects with both economic and social impact¹ such as BIA², CREW³, Portershed⁴, etc. Many of the insights and recommendations gained from this experience are applicable to the sector as a whole at national, regional and county level.
- Inputs based on the specificities of the Western Region and in particular the challenges and opportunities associated with working with and developing social enterprise in more peripheral and rural regions.
- The vision and ambitions for social enterprise in the Region set out in the WDC Social Enterprise Strategy 2022⁵.

¹ The economic and social impact of the Western Investment Fund is described in detail in the report: <https://westerndevelopment.ie/wp-content/uploads/2022/08/Report-on-the-Economic-and-Social-Impact-of-the-WDC-Investment-Fund-by-Indecon-Economic-Consultants-2.pdf>

² <https://biainnovatorcampus.ie/>

³ <https://crewdigital.ie/crew-creative-enterprise-west/>

⁴ <https://portershed.com/>

⁵ westerndevelopment.ie/wp-content/uploads/2023/03/Social-Enterprise-Strategy-2022.pdf

Context

The recent publication of Social Enterprises in Ireland: A Baseline Data Collection Exercise (DRCD, 2023)⁶ provides us with a valuable source of data on the social enterprise sector generally and some findings which are of particular relevance to the Western Region and/or rural areas. The seven counties within the WDC Region show comparatively high levels of social enterprise activity per head of population. Three counties are amongst the four counties with the highest ratio of social enterprises per inhabitant (Leitrim with 26.2 social enterprises per 10,000 inhabitants, Donegal with 18.5 social enterprises per 10,000 inhabitants and Mayo with 16.5 social enterprises per 10,000 inhabitants). Three counties have ratios above the average for rural areas of 10.5 social enterprises per 10,000 inhabitants). These are Clare (10.6) Roscommon (14.7), Sligo (14.2) while Galway is just below the average with 9.2 social enterprises per 10,000 inhabitants. The WDC Social Enterprise Strategy (2022) noted that while the number of social enterprises in the Western Region is growing – as was borne out in the Baseline Data Collection Exercise – the ecosystem to support them is weak and fragmented. The Strategy also noted that while the local development companies provide resources to help and support social enterprises in their area, the lack of a regional cluster or support network has impacted their growth across the region. The Data Collection Exercise (2023) also highlights a number of features - and in some cases weaknesses – of rural social enterprises which demand particular policy responses. These are noted throughout the submission below.

In general, the Western Region faces many of the challenges associated with more peripheral or rural regions, including ageing population, outward migration, gaps in public and private service provision, declining employment in traditional industries such as agriculture, as well as overarching challenges such as climate change and social cohesion. The Northern and Western Regional Assembly (NWRA)⁷ region has been designated as a region in transition with higher than average levels of unemployment and lower disposable incomes.

However, as noted in the WDC Social Enterprise Strategy (2022), processes of social innovation and the social enterprise model specifically offer significant opportunities to mobilise to tackle many of these challenges. Moreover, they can do this in a way that promotes sustainable development and new ways of doing business, drawing on local assets and supporting job creation while generating revenues and triggering more efficient government spending. Recent European Commission communications on the social economy⁸ all emphasise the significant untapped potential of the social economy to address regional challenges and imbalances and to meet social, economic and cultural needs in more peripheral areas. With the right supports and the development of a supportive eco-system at county, regional and national level, the potential for growth and further innovation in the sector in the Region of the Western Development Commission is significant. The WDC Region is very attractive as a testbed for social innovation and as set out in the WDC Social Enterprise Strategy (2022), it is the ambition of the WDC to become a social innovation region.

⁶ <https://www.gov.ie/pdf/?file=https://assets.gov.ie/258465/1cb50b94-6a17-450e-bca7-dea5ff6d2864.pdf#page=null>

⁷ The North West Regional Assembly region includes all of the WDC Region counties with the exception of Clare.

⁸ For example eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=COM:2021:778:FIN; [Council Recommendation of 27 November 2023 on developing social economy framework conditions \(europa.eu\)](#); [European Parliament resolution of 6 July 2022 on the EU action plan for the social economy \(2021/2179\(INI\)\) \(europa.eu\)](#)

Responses to Issues Raised in the Consultation Document

1. Building Awareness of Social Enterprise

Awareness raising measures for Social Enterprise:

- There are currently a comparatively large number of representative bodies with similar or overlapping roles/remits – it is a confusing landscape for the public, clients and potential social entrepreneurs and inhibits understanding of and engagement with the sector. The case can certainly be made for creation of one national representative forum with which can incorporate and/or build on the strengths of current networks. The case of Scotland provides a comparable example of where this has been done. In 2022, the Scottish Government announced its decision to fund a single umbrella National Social Enterprise Intermediary (SEI), demand for which came from within the sector. Following a consultation process and open selection, Social Enterprise Scotland⁹ was awarded the role of SEI, a development which is seen as being key to growing a strong, inclusive voice for what is a growing and very successful social enterprise sector.

At a minimum – or as an interim measure – the creation of a **‘one-stop-shop’ website** through which all of the actors involved in the sector can be accessed and which could act as a central point of information for the sector should be a key priority under the next Strategy. This website could show at a glance how all the various networks, organisations and also potential support organisations agencies relate to one another. It would also demonstrate the diversity of the sector, delineate the sectors where social enterprises are primarily found and demonstrate the applicability of the model to a very wide range of sectors and activities.

- There is a need to ensure balance in portraying social enterprises which reflects the diversity and potential of the sector, which includes what might be considered more traditional community-based social enterprises. WDC advocate for a renewed focus on and support for rural social enterprises which develop activities related to community infrastructure and local development, who represent 22.8% of rural social enterprises (compared to 11.8% in their urban counterparts). The community-based social enterprise model has significant further potential to contribute to the survival and sustainable development of towns, villages and communities in more peripheral rural areas and in delivering on the ‘Town Centre First Principle’ and on ‘Developing Smart Towns and Villages’ in particular.

These types of social enterprise are notable for their ability to find locally focused solutions and business opportunities, to meet local demands for services that are not being provided by the State or private sector actors and to be able to adapt and work across multiple areas of activity¹⁰. They also create local employment, particularly for more vulnerable groups and add value to local natural, material, cultural and human resources. They are typically adept at combining a very wide range of monetary and non-monetary resources and linked to this, have strong democratic and collective underpinnings.

Highlighting best practice examples/cases (e.g. the multipurpose Community Centre in Greencastle in Donegal, IRD Kiltimagh in Mayo) can help inspire other communities to explore their potential *collective* capacity. The huge growth in the number of Connected Hubs in local communities – most of which are social enterprises – in a relatively short of

⁹ <https://socialenterprise.scot/>

¹⁰ 87.4% of these types of social enterprises focus on more than one activity.

space of time provide a model and an indicator of what is possible with the right supports from national government working with motivated regional and local actors.

- The social enterprise model has significant untapped potential in finding solutions for some of our most pressing current and future social concerns in rural areas – elder/social care, public transport, housing, energy independence, restoration of bio-diversity, etc. This – and the potential for people and communities to craft their own responses to these challenges – needs to be emphasised and highlighted further.

Youth Engagement in Social Enterprise

- Modules on social enterprise/cooperative approaches should be integrated within mainstream business/enterprise courses at all levels including later stage primary and secondary level, across a wider range of third-level institutions than currently and ensuring geographical reach. Tied to this could be an expansion of the number of research prizes and/or funded masters and PhDs in the area of social innovation/social enterprise which could stimulate interest in the sector.
- Generational renewal both in terms of general volunteerism and in board membership is a critical issue for social enterprises. The latest figures suggest the majority of Board members across nearly all sectors are over 50 and in some sectors – e.g. Community Infrastructure and Local Development, Housing and Transport – the figure is over 70%. The continuation/expansion of the Foroige-led Young Social Innovators can continue to increase awareness among young people of what social enterprises are and to tap into the cohort of young people who are increasingly motivated by the desire to become involved in or work in values-led organisations. Value could be added to this programme by encouraging follow-up internships or volunteer activity in social enterprises.

2. Growing Social Enterprise

Business Support and Training Measures for Social Enterprise

- This is a very diverse sector with individual enterprises and sectors having quite distinct support and training needs, potential for growth, etc. Therefore, the current situation whereby a number of different types of agencies and organisations at county, regional and national level have a role in providing business supports and training measures for social enterprise is not necessarily problematic in itself. The support eco-system does of course need to be continually reviewed to ensure that overlap, duplication and any potential for confusion is kept to a minimum. As noted in the section 1 above, the creation of a one-stop shop website which could effectively sign-post and guide people to these different support or funding agencies (by sector, geography, stage of development or otherwise) is also required.

However, for the sector overall to grow – and for individual enterprises within it to become more market oriented – dedicated enterprise-oriented support should be readily available throughout the country for those who need it and/or as a first point of contact for those looking to establish a social enterprise. The Local Enterprise Offices (LEOs) throughout the country are the logical ‘home’ for such dedicated supports. However, WDC’s knowledge of

the sector and the results of the recent NES¹¹ Report on Social Enterprise on the Island of Ireland (2023) suggest inconsistency across LEOs in terms of the supports provided and concerns around eligibility for supports and viability of enterprises.

A number of specific actions need to be taken to overcome some of these barriers. These could include review and/or removal of some of the criteria for participation in training and supports which effectively preclude social enterprises from participation. We suggest that at least one staff member in each LEO be assigned the role of relationship manager for social enterprise and that LEO staff overall be encouraged and trained to build their knowledge of the sector and their capacity to support enterprises within it, whose support needs may be quite different to that of private enterprises.

- The social enterprise sector in Ireland overall is mainly formed by enterprises with modest income: 39.6% of social enterprises have an income of less than €100,000. Of particular interest to the WDC is the significant gap between the incomes of urban and rural social enterprises. While the median annual income is €180,000, this figure increases to €253,529 in urban areas and for rural social enterprises is €80,317. Only 4% of social enterprises in rural areas have incomes greater than €1 million, compared to 17% of social enterprises in urban areas. In line with this, fewer social enterprises in rural areas use the sale of goods and services as a source of income (66% compared to 72% of urban social enterprises) and rural social enterprises are less likely to have a contract for services from a Government Body under an open tender process (only 6% compared to 10% of urban social enterprises) or service arrangement (16% compared to 27% of urban social enterprises).

While some types of rural social enterprises in particular will naturally have a limited capacity to increase their income significantly, there is a need for a stronger culture of entrepreneurialism and market orientation to be developed within the sector. An elevated role for LEOS as described above would have a role to play in facilitating this shift but all agencies and organisations supporting social enterprises need to both encourage and support ambition, creativity and responsiveness to (changing) market needs. The ‘traded income’ aspect of the social enterprise model in particular needs to be highlighted and centred more than may sometimes be the case.

- Peer mentoring has a very valuable role to play in the development of the sector. Through LEOs, vouchers which would enable new social entrepreneurs/those looking to scale up to connect with more experienced practitioners would be beneficial to *both* parties, providing an additional income source for the more established social enterprise.

Increasing Private Sector/Social Enterprise Engagement

- Building capability in this space so that social enterprises have the skills, knowledge and confidence to step into this arena needs to be supported in the form of specific training and mentoring. The social enterprise sector appears to need more support to become investor ready from a private sector perspective. Also following a training/mentoring programme to deal with this capability piece, the ‘one stop shop’ website could incorporate a database (or panel) of social enterprises who are open, willing and ready to tender their work/products or services to the private sector.

¹¹ https://www.nesc.ie/app/uploads/2023/05/161_social_enterprise.pdf

- As part of CSR strategy withing private sector companies, there may be potential to provide mentoring, funding or other supports to ‘paired’ social enterprises on specific aspects of enterprise development (e.g. digitalisation, marketing, etc.). A pilot programme with attendant publicity might provide a kick-start to greater interaction, the development of mutually beneficial business relationships and in some cases, investment opportunities.

Access to Finance for Social Enterprise

- Through the Western Investment Fund, the WDC has been a pioneer in providing flexible social finance which meets the needs of community groups and social enterprises. From our ongoing work and interactions with social enterprises, we are acutely aware of the challenges they face in access to and management of finance. These include: complicated finance applications processes; challenges associated with the need for bridge financing of grant-aid; the requirement for collateral for loans from mainstream funders; and debt aversion.
 - *Complicated application processes:* the capacity and confidence of volunteers/Board members to complete applications could be developed via access to training and mentoring supports from consultants/brokers using LEO vouchers (similar to those available to private enterprises/for-profits).
 - *Need for bridge financing of grant-aid:* The current requirement for bridge finance presents a notable obstacle for community groups and social enterprises when applying for and accessing grants. Moreover, it imposes a considerable additional workload and cost, particularly on voluntary organizations. This challenge is particularly pronounced in socio-economically disadvantaged communities and smaller rural communities, which often have limited cash reserves to facilitate the cash flow of the grant. To address this issue, we propose several measures aimed at reducing the need for and cost of bridging finance. This includes front-loading the grants, expediting grant processing times by extending the 15-day prompt payment rule to grant payments, incorporating more stage payments, and Grantors mandating the grant to the providers of bridging finance. Implementing these changes would result in more efficient grant drawdowns, allowing social and community enterprises to focus on service delivery rather than administrative hurdles¹².
 - *Requirement for collateral:* There is a need for an education process to advise that many loans within this sector do not in fact require collateral and borrowers should be encouraged to discuss this with each of the social finance providers.
 - *Debt aversion:* There is also in some cases a need to support and guide a mindset change away from a grant mentality and to encourage a level of comfort with debt if the enterprise is viable and sustainable.

¹² These specific recommendations were also made in a letter from the WDC sent on January 18th, 2024 to the Chairperson and Members of The Joint Committee on Social Protection, Community and Rural Development and the Islands as a follow up on the Joint Committee meeting in October 2023, where the Western Development Commission (WDC) discussed the funding of community groups and social enterprises, specifically addressing the necessity for bridging finance for grant-aid.

- As noted previously, this is a diverse sector, encompassing organisations in many different sectors of the economy, at different stages of development and with distinct funding models and funding needs. The next iteration of the Baseline Data Collection Exercise should also aim to drill down further on the barriers to finance in a way that captures this complexity and ascertain whether there are specific products out there that are required but not currently available. This could provide social finance providers with the knowledge to fill the gaps identified and provide solutions to some commonly cited challenges.

Other Policy Areas/Actions

- A key area of emerging concern highlighted by the WDC Connected Hubs team is the current re-evaluation of rates being undertaken by Local Authorities. There is a lack of consistency across authorities with these hubs – most of which are social enterprises – being treated in some cases the same as any other commercial enterprise, regardless of income. Square footage is a blunt tool with which to calculate rates and there is a need to take account of the social impact, economic benefit and in some cases environmental benefit of these kinds of enterprise, as well as their low/variable income base in calculating rates. The application of a more sophisticated methodology which takes account of the specificities and wider social impact of Community Hubs is necessary – and should also be applied to other types of social enterprises.
- Social procurement and special considerations during public procurement processes can facilitate improved access to markets for social enterprises. Amongst the key actions which could be taken include:
 - Where appropriate, division of tenders into smaller lots or active encouragement of consortia of social enterprises to apply for larger-size contracts.
 - Further training/awareness of public sector staff responsible for procurement on strategic use of procurement to promote social inclusion, environmental considerations, etc. Marks (to a certain percentage) can and in many cases, should be assigned for social impact in awarding tenders.
 - Set targets for % of contracts for Social Enterprises (sector dependent) as is the case in the UK and NI.
 - Pilot/highlight best practice or innovation to inspire change in practice.
 - Training/mentoring of social enterprises in application process, readiness, etc. via LEOS.
- We note that from the Baseline Data Collection Exercise that social enterprises are important sources of work opportunities on a part-time basis to people over 50 years of age, who represent 32.6% of part-time workers in social enterprises. This percentage increases to 43.6% in social enterprises located in rural areas and may point to a particular role in employing people who are shut out of conventional labour markets or those who have been previously employed or are underemployed in declining industries such as agriculture. It is notable that rural social enterprises are also more likely to employ people through Activation Labour Market Programmes such as the Community Services Programme, TUS, Community Employment Scheme or Rural Social Scheme (64.7% in rural areas and 57.9% in urban areas). Even within the context of very low unemployment figures overall,

employment creation is an important aspect of social enterprise in more peripheral communities, has both economic and social benefits and should remain a key focus.

- Three main activities pursued by rural social enterprises – community infrastructure and local development (22.8%) childcare (28.7%) and heritage, festivals, arts and creative industries (12.7%) – comprise 64.2% of organisations. While some of this is related to demographic factors and strong and valuable tradition of community-based local development efforts, it does point to potential for growth in other areas, including health, youth services and social care which currently represent only 9.2% of those in rural areas (compared to 16.8% in urban areas) and in housing (2.8% of organisations compared to 4.5% in urban areas) and training and work integration (3.9% compared to 6.1% in urban areas). A greater emphasis on these areas would also likely increase the levels of employment in social enterprise in the WDC Region: the three main sectors of activity in terms of employment are childcare; health, youth services and social care; and training and work integration. The latter two sectors, alongside housing are where most of the larger social enterprises with an annual income of over €1m are found. In summary, support organisations and funders operating in rural areas – including WDC – should promote increased activity in those sectors which have the highest potential for income generation and employment growth.

3. Climate Action Contribution

Measures to Support the Contribution of Social Enterprise to Government's Climate Action Goals

- WDC consider support for community energy projects to be a key priority and a potential game-changer in building energy independence, unleashing community innovation across multiple realms and in providing a long-term sustainable funding source for communities to meet their specific needs and challenges. In broader terms, this could contribute to reducing regional inequalities and building the capacity of rural/peripheral communities. The feasibility studies and work to date of Sustainable Energy Communities around the country and of successful initiatives such as Community Power and the Aran Islands Energy Co-op provides us with up-to date market intelligence on what is needed to meet the growth potential within the sector. Key stakeholders (local authorities, SEAI, the Climate Action Regional Offices, renewable energy stakeholders, relevant government departments, the ESB etc., WDC) could work together to fund and support a number of high potential pilot projects, the learning and models from which further projects could be initiated and replicated across the country.

Social Enterprise Development in the Circular Economy

- There are already numerous very successful social enterprises operating in this sector in the WDC region and beyond (e.g. An Mheitheal Rothar, Bounce back, Food cloud, etc.). In addition to encouraging and supporting new ideas and initiatives, these proven models could be replicated in other geographic areas by other social enterprises who are seeking financial self-sustaining activities, additional income streams and models.

Social Enterprise Potential in the Bioeconomy

- The afore-mentioned feasibility studies carried out by Sustainable Energy Communities around the country contain a wealth of ideas of projects and initiatives within the Bioeconomy. As with community energy, the strategic funding of a number of pilot initiatives based on some of these project ideas would provide learning and a model which could be replicated nationally.

4. National and International Engagement

Cross Government Co-ordination

- The diversity of the social enterprise sector – where social enterprises operate in a wide variety of areas of economic/social activity and with significant differences in levels of income and entrepreneurial orientation – demands a significant level of cross-government coordination if the sector is to grow and develop. The danger of social enterprise becoming ‘boxed in’ to the charity/community space could be mediated with greater coordination between the Department of Rural and Community Development (DRCD) and the Department of Enterprise, Trade and Employment (DETE) in particular: the recommendations earlier for a more consistent and elevated role for LEOs would bring this into practice on the ground. There are good international models for how the profile and importance of social enterprise can be raised across government which should be explored and applied where appropriate. In the Navarra Region of Spain, for example, there is Director General for Social Economy and Labour and the post lies within the Department of Social Rights, Social Economy and Employment.¹³

Networking

- Networking and peer learning between social enterprises is fundamental to the development of this sector. This may be geographical or sectoral or both but facilitation of this online or in person should be a key focus of representative bodies and other stakeholders, including the DCRD. The suggestions made earlier under *Awareness Raising Measures for Social Enterprise* about bringing greater clarity to the landscape in terms of representative bodies would also support this goal.

5. Data Collection and Social Impact Measurement

Improving Baseline Data on Social Enterprises

- An up-to-date (and continually refreshed) source of data on the growth and evolution of the sector could be created if there was one central platform for the sector where every social enterprise who accesses government funding or other state supports is obliged to register and keep details up to date. This could be linked to or be part of the one-stop-shop website referenced in the earlier inputs.

¹³ [Director-General for Social Economy and Labour \(navarra.es\)](http://navarra.es)

Improving Social Impact Measurement for Social Enterprises

- There is a need for a more robust evidence base to capture the impact of social enterprises which can inform decision-making on funding and support. The piloting or funding of a number of 'deep dive' Social Return on Investment (SROI) studies on a diverse sample of social enterprises could provide such evidence. Work could also be done with industry experts to provide a simplified version of a full SROI which could be incorporated into planning, funding applications, funding decisions, etc.

Conclusion

The Western Development Commission welcomes this opportunity to make a submission to the closing phase of the public consultation for the next National Social Enterprise Policy. Social enterprise has been and remains an area of interest and focus across multiple aspects of the Commission's work including the Western Investment Fund, Connected Hubs, climate action and energy, the maintenance/creation of vibrant towns and villages, local employment creation in peripheral communities, and in finding innovative and community-based solutions to solving some of the Region's most pressing current and future social challenges. With the right supports and the development of a supportive eco-system at county, regional and national level, the potential for growth and further innovation in the sector in the Region is significant.

If you would like any more information or to discuss our submission further, please get in touch with:

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