



# **A map of social enterprises and their eco-systems in Europe**

## **Country Report: Denmark**

**European Commission**

*This report provides a non-exhaustive overview of the social enterprise landscape in Denmark based on available information as of August 2014. Although a range of stakeholders were interviewed to verify, update and supplement the information collected from secondary sources, it was not possible to consult all relevant stakeholders within the constraints of the study.*

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## Headline summary

### Definition(s) and concepts

Whilst Denmark has a long tradition of third sector/ voluntary sector involvement in delivering welfare benefits, the concepts of “social economy” and “social enterprise” are relatively new. Until the most recent definition of social enterprises, as presented by the Committee on Social Enterprises in 2013, the most commonly acknowledged and used definition was the one presented in the National Civil Society Strategy in 2010.

### Policy and legal framework

Denmark was quite late in implementing specific and large-scale policy initiatives to support and strengthen social entrepreneurship. The first major initiatives within this field included the establishment of the Centre for Social Entrepreneurship and the Centre for Social Economy in the mid-2000s.

Whilst much of the focus, politically, has been on WISEs in recent years, there are some trends that suggest that the social enterprise model is becoming more diverse.

### Public support and initiatives

Whilst there are several publicly funded business support schemes in Denmark, they are generally not designed specifically for/ targeting social enterprises. At the national level, the only publically funded support scheme that is designed specifically for/ targeting social enterprises is the Social Growth Programme (“Det Sociale Vækstprogram”).

### Networks and mutual support mechanisms

There are a number of networks and mutual support mechanisms that support social enterprises, including the Social Enterprise Network hosted and facilitated by the Centre for Social Economy; “Kooperationen”, which is an employer organisation for cooperatives; and the “Social Entrepreneurs in Denmark” (SED) association, which was originally set up as an alumni association for the Master in Social Entrepreneurship at RUC).

### Marks, labels and certification systems

A law on registered social enterprises (L 148 Forslag til lov om registrerede socialøkonomiske virksomheder) has been adopted by the Danish Government, however, no specific date has been set for the implementation of the registration system.

### Social investment markets

The supply of finance and investment explicitly targeted at social enterprises is rather limited in Denmark. Indeed, investment targeted specifically at social enterprises is primarily provided through the recently established private equity/ venture capital fund - Den Sociale Kapitalfond. A limited number of banks, including Merkur Cooperative Bank, also specifically targets companies, institutions and projects with pronounced social, cultural and/or environmental objectives, some of which would be classified as social enterprises.

### Spectrum of social enterprise

The most common forms of social enterprises are non-profit organisations with commercial activities and enterprises with social purpose. However, there has been a shift towards supported and non-supported enterprises with social purpose in recent years, with most non-profit organisations with commercial activities established before 1995.

## Scale and characteristics

The size and scope of the sector is heavily influenced by the definition used. The most recent estimate suggests that there are around 300 social enterprises in Denmark (of which around two fifths represent WISEs), employing some 3,500 FTEs. This means that social enterprises currently account for a relatively small share of enterprises and employment in Denmark.

Nevertheless, such measures probably underestimate the importance of social enterprises. Indeed, social enterprises help deliver social impact both by employing vulnerable and/ or disadvantaged individuals (with or without employment subsidies) and providing goods and services that have a social purpose. The scale and extent of such social impacts are, however, difficult to measure.

An important characteristic of many social enterprises in Denmark is that they are still closely connected to the public sector and heavily dependent on public funding. This is in part a legacy of the comprehensive and active welfare state in Denmark. Municipalities, in particular, play an important role in the development of social enterprises. Whilst the interest from municipalities is growing, the relationship with social enterprises is not without complications (e.g. problems accessing markets, communication with municipalities, size and complexity of the public municipal sector, etc.).

## Factors constraining the start-up and development of social enterprise

There are a number of barriers that impact on social innovation and social enterprise development (start-up and growth). These include access to finance, a lack of awareness among the general public and prospective customers, partners and investors, a lack of competences and skills (e.g. business skills and knowledge of social enterprises) and dependence on grants.

Furthermore, the lack of a legal/ regulatory framework is seen as an important challenge for social enterprises starting up and/or scaling up. For some social enterprises, particularly WISEs, the restrictions that are placed in relation to employment regulations also act as a barrier.

Recommendations have been drawn up to address most of these barriers and the implementation of the proposed measures is likely to be an important determinant of the future scale and scope of social enterprises in Denmark.

# 1 Definitions and concepts of social enterprise in Denmark

The origins of this so-called “social economy” can be traced back to the mid- to late-1800s and the farmers’ and workers’ co-operative movement. Indeed, Hulgård and Bisballe (2008) suggest that the ideological inspirations of the “socialist workers’ movement” and the “Grundtvigian movement” have been highly influential in the thinking of both old and new types of “social enterprises”. For example, the farmers’ cooperatives did not only protect and facilitate the economic interests of farmers but also served their cultural, educational and political interests through its link with the social movement: Grundtvigianism and the Danish Folk High Schools Movement (Højskolebevægelsen). Similarly, the workers’ co-operative movement helped define the precondition for the present “social economy”. However, the workers’ movement was initially very reluctant, if not hostile, towards co-operatives as an instrument for improving living standards.

Another influence in the present day “social economy” and “social enterprise” is the long tradition of third and/ or voluntary sector involvement in areas such as education, sport, environment, social services, health and child care in Denmark. Notably, this relationship between the public sector and the third/ voluntary sector have generally been characterised as complementary, and relatively cooperative, rather than associated with a higher degree of public sector control (Jakobsen 2001, Kaspersen 2002, Klausen 1995).

The cross-sectoral social development programmes that were developed from the 1960s onwards have been particularly influential. From the 1960s, much of the social work that was previously undertaken by the co-operative movement was taken over by the public system, including through so-called “self-owning institutions”. The emergence of this new type of “social enterprise” was heavily supported by public resources, and sometimes initiated directly by public sector actors. The social development programmes gained momentum in the mid-1980s and can, in many respects, be considered as a way of experimenting with the “social enterprise” model and the role of third sector organisations in combatting social exclusion (Hulgård and Bisballe, 2008). Perhaps the most significant of these programmes was the so-called “Social Development Program” (350 million DKK from 1988-1992, approx. 47 million euros).

Reflecting these historical developments and the origin of social enterprises in the cross-section between the three traditional sectors: the public sector, the private sector and civil society, the term “social enterprise” has traditionally been applied to and/or used by organisations in many different areas of activity:

- organisation providing voluntary social support (e.g. crisis centres and refuges, self-help groups in areas of social and/or psychological crisis or thrift shops related to ecclesiastical communities);
- cooperatives and companies with membership democracy, where members do not necessarily work in the company, but influence decisions and planning through their vote (e.g. retail trade, financing, insurance and farming);
- organisations offering education or on-the-job training to vulnerable groups of unemployed persons (e.g. work integration social enterprises or WISEs); and
- local development and urban renewal projects, which set up local partnerships between representatives of the public, private and third sectors (Liveng, 2008).

In many respects the concept of “social enterprise”, and other related concepts such as the “social economy”, “social entrepreneurship” and “social innovation”, is still being formed in Denmark. Although some progress have been made since the mid-2000s, not least through the establishment of the Centre for Social Entrepreneurship (CSE) at Roskilde University in 2006 and the Centre for Social Economy (CSØ) in 2007 and, more recently, through the Government appointed Committee on Social Enterprises, which was set up in February 2013.

One of the first definitions of “social enterprise” and “social entrepreneurship” was presented in the National Strategy for Social Entrepreneurship (2010), led by the think-tank MandagMorgen. More specifically, this defined social enterprises as those that:

- have a social purpose (i.e. creating social value added);
- are innovative (i.e. working with new products, services and processes);
- are professionally organised (i.e. not exclusively reliant on voluntary labour);
- are privately or collectively owned (i.e. not owned by the public sector); and

- are not-for-profit (i.e. reinvests any surplus to support social purposes).

Later in the same year, a similar definition of social enterprises was presented in the Government's National Civil Society Strategy (2010), which distinguished social enterprises from social projects and voluntary organisations that are entirely funded through membership contributions and public funding. More specifically, social enterprises were defined on the basis of the following criteria:

- a not-for-profit enterprise;
- having a social, health and/or environmental purpose;
- selling of services and/or products;
- reinvesting any eventual surplus in the enterprise and its purpose;
- organisationally independent of the public sector; and
- has a Central Business Register (CVR) number (meaning it is formally registered as an enterprise).

This is also the definition that has been most commonly used and referenced in Denmark. For example, most municipalities, social enterprises, researchers and other stakeholders interviewed as part of a study by CABI recognised and/ or had adopted the definition presented in the National Civil Society Strategy. It is also used as the basis for determining the eligibility of participants in the Social Growth Programme, as well as the candidates for the annual Social Enterprise Award. Recent research by the Danish National Centre for Social Research (SFI) and the Centre for Economic and Business Research (CEBR) at Copenhagen Business School also recognise and adopt this definition, albeit with some modification to ensure a better fit with the research methodology and purpose. The common use of the 2010 definition has also been confirmed by this study, through consultation with the Centre for Social Economy (Center for Socialøkonomi).

Notwithstanding this general recognition and adoption, there are, however, still many stakeholders that express a need for greater clarity and delimitation on what constitutes a social enterprise and what does not. So rather than being considered as definite definition of social enterprises, many stakeholders consider it as setting out the minimum requirements and/ or the central characteristics of social enterprises (CABI, 2012),

Notably, Lars Hulgård, at the Centre of Social Entrepreneurship at RUC, argues that it is important to consider two separate strands within the above definition. In the first strand of social enterprises the stakeholder and participatory perspective is the starting point, whilst in the second strand the market represents the starting point. As such, social entrepreneurs are faced with a choice of a "minimalistic model" centred upon market conditions or a "stakeholder-orientated model" based on broad and diverse resources (CABI, 2012).

Following the appointment of the Committee on Social Enterprises, a further iteration of the definition of "social enterprises" was presented in September 2013:

*"Social enterprises are privately held and through their business and profits, have the purpose of promoting specific social objectives".*

More specifically, it defines social enterprises as organisations with the following characteristics:

- *social purpose* - the primary purpose is social in nature (i.e. the enterprise has a social, occupational, health-related, environmental and/or cultural purpose and also promotes active citizenship);
- *significant commercial activity* - the enterprise has a significant element of commercial activity through the sale of goods and/ or services, constituting a significant part of the overall turnover;



- *independent from public sector* - the company has its own Central Business Register (CVR) number and operates without significant public influence in respect of management and operations;
- *allocation of profits* - the enterprise uses its profits primarily to promote social purposes, reinvest in their own or other social enterprises and secondarily to limited dividend payments to investors (notably for some legal forms, including public and private companies, the social profit management will occur on a voluntary basis); and
- *responsible and inclusive corporate governance* - transparent in how the business is run and with a governance structure that is dedicated to add value, whilst also maintaining a high level of ethical standards.

This latest definition (although not yet officially adopted by the Government) is in many respects identical to the 2010 definition, perhaps with the exception of the inclusion of the “responsible and inclusive corporate governance” criterion. This would tend to suggest that a greater emphasis is now being placed on the governance of social enterprises. However, at this stage it is not clear what this criterion actually means in practice.

Notably, as part of the Committee’s efforts to define social enterprises, a number of nationally and/ or internationally recognised criteria were excluded from the final definition:

- The entire social economy sector is not included. The Committee decided that social enterprises are a subset of the social economy. Consequently, a number of traditional social institutions are excluded as they do not have a sufficient level of commercial activity and/or still have significant ties to the public sector. This would suggest a strong weight attached to the commercial activity element of the definition.
- There is no specific legal entity for social enterprises. The Committee decided that enterprises should be allowed to choose among several different company statutes and not be confined to a specific legal form.
- There is no requirement to employ vulnerable individuals. The Committee decided that enterprises that work for a target group or a specific cause and in that respect is not employing marginalised individuals may still be regarded as a social enterprise. This may be viewed as an attempt to widen the current political focus on WISEs.
- There is no requirement for the enterprise to be anchored in the local community. The Committee opted for including enterprises that have no or limited formal relationships with the local community.
- There is no requirement to be innovative. The Committee decided that companies, which are not innovative by nature may still be characterised as social enterprises.
- Social enterprises do not have to be recently established. The Committee decided that enterprises may be regarded as social enterprises even though they are not run by entrepreneurs (i.e. they may have a history as part of a different organisation or a project).
- There is no requirement to exclusively employ individuals working under a specific set of conditions, or voluntary labour.

## 2 The ecosystem for social enterprise in Denmark

In this section we present the evolving national policy framework for social enterprises. We also identify and describe the main publicly funded support schemes designed specifically for/ targeting social enterprises, as well as other support, services and infrastructure to support social enterprises, including education, specialist networks, incubator space, etc.

### 2.1 The policy and legal framework for social enterprise

#### 2.1.1 The national policy framework

Whilst the origins of the social economy and social enterprises can be traced back to the cooperative movement in the late 1800s and the social development programmes from the 1960s, the concepts of “social economy” and “social enterprise” have only gained legitimacy in recent years. In fact, Denmark was one of the slowest European countries to implement specific and large-scale policy initiatives to support and strengthen social entrepreneurship (Hulgård, 2010).

A number of major initiatives were launched in the mid-2000s to support competence and capacity building, as well as policy making within the field of social enterprise. Such initiatives included the Centre for Social Entrepreneurship, which was founded in 2006 at Roskilde University with a Government grant worth almost €1.5 million. The purpose of this centre is to become a “greenhouse” for learning and building competences in social entrepreneurship, with a view to improving the living conditions of socially marginalised people.

Another Government grant supported the creation of the Centre for Social Economy in 2007. The centre provides advisory and networking opportunities. It also gathers and analyses data and intelligence in order to support their advisory service, as well as providing material for information campaigns among the general public and opinion leaders in the field.

Further to these initiatives, the influential think-tank MandagMorgen initiated collaboration among many public organisations, private enterprises and associations; which led to the formulation of a National Strategy for Social Entrepreneurship in 2010. The ambition was to convince the Government to start a process of adoption of an adequate financial and legal structure for the benefit of sustaining organisations, enterprises and initiatives in the social economy.

In the same year, the Danish Government published a National Civil Society Strategy in October 2010. The aim of this strategy, which was financed by 100 million DKK from public funding, was to involve the civil society and voluntary organisations more systematically in the field of socially vulnerable people and families. More specifically, actions were targeted in four areas:

- strengthening innovation and development in social action;
- promoting active citizenship and volunteering culture;
- strengthening voluntary organisations; and
- strengthening cooperation between sectors.

At the municipal level, a number of social enterprise strategies have also been developed and adopted. The municipality of Kolding was the first to adopt a strategy for social enterprises (2009). The aim of this strategy was to establish 10 social enterprises in the municipality. This was followed by the adoption of social enterprise strategies in Copenhagen (2010) and Aarhus (2012). The social enterprise strategy in Copenhagen, and the initiatives associated with it, came to an end in 2013, but has been replaced by a new three year initiative – “A Market for Social Enterprises”. Municipal funding of 1 million DKK per year has been allocated to this scheme, which aims to raise awareness, and increase the knowledge, of the barriers faced by social enterprises, including the cooperation and collaboration with public institutions.

Most recently, a Committee on Social Enterprises was appointed by the Government in February 2013. The purpose of the Committee is to examine the barriers and opportunities for the establishment and development of social enterprises, with the aim of developing specific policy recommendations in this field.

The members on the Committee were appointed on the basis of their knowledge in the field and included the following individuals:

Name	Role/ Organisation
Chairman, Mads Øvlisen	Former CEO of Novo Nordisk (resigned as chairman of the Committee 21 <sup>st</sup> August 2013)
Anne-Marie Meldgaard	Chairman of the Board, Huset Venture Danmark
Claus Skytt	Head of Department, MerkurAndelskasse
Lars Hulgård	Professor, Roskilde University (RUC)
Lars Jannick Johansen	CEO, The Social Capital Fond
Line Barfod	Lawyer, Foldschack&Forchhammer
Mikkel Holmbäck	CEO, Glad Fonden
Susanne Westhausen	CEO, Kooperationen
Dorte Gram Nybroe	Senior Advisor, the Confederation of Danish Industry (DI)
Christian Sølyst	Social Policy Consultant, the Danish Confederation of Trade Unions (LO)
Lone Johannsen	Senior Advisor, Local Government Denmark (KL)
Jon Thorlacius Krog	Branch Director, Selveje Danmark and the Danish Chamber of Commerce
Pernille Harden	Head of Department, Ministry of Employment
Anders Lynge Madsen	Deputy Permanent Secretary, Ministry of Social Affairs, Children and Integration
Lisbet Dyerberg	Deputy Permanent Secretary, Ministry of Business and Growth

The Committee was initially hosted by the Ministry of Business and Growth but was moved to the Ministry of Social Affairs, Children and Integration in August 2013, as part of a Government Department/ Ministerial reshuffle. This resulted in the chairman of the Committee, Mads Øvlisen, resigning, as he feared that the move would undermine the economic and employment-related focus of social enterprises. The Committee and the secretariat, however, still include representation from three ministries – Ministry of Employment, Ministry of Business and Growth and Ministry of Social Affairs, Children and Integration.

In addition to the establishment of the Committee, the Government set aside 10 million DKK in 2013 (€1.34 million) and a further 15 million DKK (€2.0 million) in 2014, in order to build up the knowledge and intelligence in this area and to follow up on the recommendations of the Committee.

### 2.1.2 Legal framework for social enterprise

There are no legal forms tailored specifically for use by social enterprises in Denmark. Indeed, more than 14 different legal forms are currently being used by social enterprises (see section 3.4). The majority of social enterprises are established as associations, foundations or companies limited by shares.

A law on registered social enterprises (L 148 Forslag til lov om registrerede socialøkonomiske virksomheder) was adopted by the Danish Government in June 2014. The law aims to introduce a registration system for social enterprises that can provide the basis

for a common identity. The registration system will allow enterprises that meet certain standards for their operation and transparency to demonstrate their social characteristics to authorities, business partners and customers through an exclusive right to use the term “registered social enterprise”. At this stage, no specific date has been set for the implementation of the registration system.

There is currently a lack of fiscal incentives to encourage social enterprise formation. There are no fiscal benefits in respect of the majority of legal forms used by social enterprises, with the exception of foundations (which enjoy several fiscal benefits) and to a lesser degree associations (which enjoy some fiscal benefits). These legal forms also have limitations such as the inability to distribute profits to investors. This can mean social enterprises find it difficult to raise capital from mainstream sources. There is also a lack of awareness on the part of customers and investors that social enterprises operate differently from commercial companies and create tangible benefits to society. There are no obvious legal and regulatory barriers preventing social enterprises from developing relations with mainstream enterprises. However, there are no fiscal or other incentives for major mainstream enterprises to incorporate social enterprises in their supply chains.

Law and regulation very often fails to consider the particular features and characteristics of social enterprise, which often acts as a practical impediment to the development of social enterprise. Although social enterprises exist to provide positive social benefits to society, European competition law, such as the law in relation to procurement and state aid, makes it much more difficult for the Government and municipalities to expressly support the development of social enterprise by legal and regulatory means.

There are no specific barriers to social enterprises conducting cross-border activities which do not apply to ordinary businesses. However, the reality of the social enterprise market in Denmark is that very few social enterprises have developed to a size where competition in international markets is a realistic aim. Most social enterprises are addressing local and society based needs and so in practice cross-border activity is rare.

## 2.2 Public support schemes targeting social enterprises

Whilst there are several publicly funded business support schemes in Denmark, they are generally not designed specifically for/ targeting social enterprises. At the national level, the only publically funded support scheme that is designed specifically for/ targeting social enterprises is the Social Growth Programme (“Det Sociale Vækstprogram”). This was set up by the Danish Agency for Labour Market and Recruitment (formerly the Danish Agency for Labour Retention and International Recruitment), the Social Capital Fund, the Centre for Social Economy and Symbion in 2013.

The Social Growth Programme provides support for social enterprises that work with the most vulnerable unemployed (and that meets the other criteria for social enterprises- based on the 2010 National Civil Society Strategy)<sup>1</sup>. More specifically, it provides an intensive support programme for social enterprises that aim to grow and expand their business so they can employ and/or create work integrating activities for more individuals. The Social Growth Programme activities run for six months and include:

- *hands-on resources*-an experienced and dedicated business advisor who is actively engaged in the social enterprise 1-2 days a week, and helps to develop and test new business opportunities.
- *training* - camps and workshops where social enterprises will be trained to use the new tools for business development and acquiring new knowledge in the field, including training and advice in relation to sales and marketing, access to new customers/markets and cooperation with local authorities for funding options.

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<sup>1</sup> Participating enterprises also have to comply with EU state aid rules, give confidence that they will be self-sufficient in the longer term, have an established business with potential to grow and have a clear need for support and guidance.

- *networks and partnerships* - targeted matchmaking of municipalities, companies and organisations - which can act as both sparring partners in the development process and customers for the company going forward. Matchmaking is also envisaged in relation to foundations, investors and financial intermediaries.

The main aim of the Social Growth Programme is to help social enterprises to develop and grow so they can employ more people and create opportunities for several vulnerable groups on a financially sustainable basis. The programme has involved twelve social enterprises over two rounds. The first round ran up to October 2013, whilst the second round (December 2013-May 2014) is currently involving six social enterprises. Notably, it was recently announced that the Social Growth Programme will be extended until 2016, involving a further 20 social enterprises over four rounds. The extended programme will provide more opportunities for support following participation in the Social Growth Programme, as well as opportunities to apply for funding to act on the activities developed through the programme.

In addition to the Social Growth Programme, some business support services, including information and guidance, are also available through the Centre for Social Economy. The Centre also refers social enterprises to the general business support, as many social enterprises do not have knowledge, or awareness of, the support available.

Moreover, since 2010, an annual award, worth 100,000 DKK, has been presented to a social enterprise that demonstrates a special ability to tackle societal challenges through social business models. Past winners are Baisikeli (2010), Allspice Kitchen (2011), Skovsgård Hotel (2012) and ByBi (2013).

At the municipal level, there is also a growing interest for “social enterprise” and “social entrepreneurship”. Indeed, a recent survey of municipalities carried out by CABI revealed that two-thirds of municipalities are cooperating with “social enterprises”. This cooperation involves employment and/ or activation of disadvantaged and vulnerable individuals. In terms of activation, the cooperation between the municipalities and social enterprises primarily focuses on up-skilling, advice/ guidance and work experience (CABI, 2012).

There are also specific local business support schemes that target social enterprises. For example, in Copenhagen targeted business support has been provided as part of the strategy for social enterprises. This has included the development of business models, access to finance, product development and cooperation with the municipality.

The table below provides an overview of the type of support that is available specifically for social enterprises. It is, however, worth noting that not all of this is provided by publicly funded schemes. For example, the Social Capital Fund is funded through the private foundation Trygfonden. It is also the case that the existing schemes, such as the Social Growth Programme, only cover a few social enterprises. So whilst there are schemes for all types of support, the scale and volume of such schemes tend to be relatively small (which in part reflects the size of the “sector”).

**Table 2.1 Overview of publicly funded schemes specifically designed for or targeting social enterprises**

Support type	Are there any schemes specifically targeting social enterprises?
Awareness raising (e.g. award schemes, communication, advocacy )	✓
Social entrepreneurship education (e.g. academic courses)	✓
Pre-start / start-up support e.g. <ul style="list-style-type: none"> <li>• Business support e.g. mentoring, consultancy, coaching etc.</li> <li>• Grants</li> <li>• Infrastructure e.g. incubators</li> </ul>	✓
Grants and business support for established enterprises (e.g. business planning, management skills, marketing, training and coaching etc.)	✓
Investment readiness support	✓

Support type	Are there any schemes specifically targeting social enterprises?
Dedicated financial instruments (e.g. loans, guarantee schemes, social impact bonds etc.)	✓
Physical infrastructure (e.g. shared working space)	✓
Collaborations and access to markets	✓
Networking, knowledge sharing and mutual learning initiatives	✓

### 2.3 Other specialist support and infrastructure available to social enterprises

Education relating to social entrepreneurship and social innovation is gaining more and more attention through various educational programmes, both at the level of university, university colleges (for professions such as social workers, social pedagogy, nurses, teachers at primary and secondary school level) and primary and secondary school.

Examples at the university level is the Centre for Social Entrepreneurship (CSE) at Roskilde University, where a two-year Master's programme in Social Entrepreneurship (60 ECTS) has been offered since 2008. To date, about 120 people have graduated from this programme. These are people that work in social enterprises, voluntary organisations, public municipal sector, university colleges, social housing projects, as well as entrepreneurs. In September 2013, an "International Master in Social Entrepreneurship and Management" (SEM) (120 ECTS) was also launched at Roskilde University with the first group of students now enrolled. Another example is Copenhagen Business School where students at graduate level, can specialise with a minor in social entrepreneurship.

Other programmes of social entrepreneurship and social innovation are offered at university colleges. For example, the VIA University College in Jutland is offering various study modules of 10/15 ECTS in social entrepreneurship/ social innovation/ social enterprise within their range of Bachelor level education in the areas of social welfare and health (nurse, social worker, social pedagogy, etc.).

In recent years, there has also been a growing interest from secondary schools, and even at the primary school level (e.g. Frederikssundskole), to provide courses in social entrepreneurship and innovation for the pupils,

An important additional support for this type of activities is the Danish Foundation for Entrepreneurship - Young Enterprise. It supports education of teachers and innovative teaching projects within teaching of entrepreneurship as well as social entrepreneurship from primary school to university level.

Training, support, work spaces, exhibition and events space is also provided for social entrepreneurs and change-makers through "the Hub" and similar spaces in Copenhagen and other parts of Denmark.

Since 2012, support for social inventions and innovation, including for social enterprises, has been provided through Social+, a national platform for social innovation. In particular, Social+ aims to:

- collect and produce knowledge about social inventions and social innovation;
- bring innovative people together across sectors;
- encourage dialogue between decision makers, investors and media;
- stimulate the social innovation debate; and
- advice and co-create with social inventors.

Social+ is financially supported by VELUX fonden, with co-financing from the VILLUM fonden. It is an independent part of the non-profit organisation Social Development Centre (SUS).

Support to social enterprises is also available from Ashoka Scandinavia.

## 2.4 Networks and mutual support mechanisms

Further to the support outlined above, there are also a number of networks that support social enterprises, including the Social Enterprise Network hosted and facilitated by the Centre for Social Economy. The network acts as a platform for social enterprises to share knowledge, get inspiration and seek mentoring.

Another organisation that supports social enterprises is “Kooperationen”, which is an employer organisation for cooperatives. Among other services it provides legal advice for social enterprises wanting to adopt a cooperative business model. In May 2013 it also set up a specific association for social enterprise members.

The “Social Entrepreneurs in Denmark” (SED) association (originally set up as an alumni association for the Master in Social Entrepreneurship at RUC) also provides support to social enterprises by facilitating knowledge sharing and exchanges of experiences and ideas. The association also arranges meetings with, and visits to, social enterprise across Denmark.

## 2.5 Marks, labels and certification systems

Whilst Denmark does not currently have a social enterprise mark, there is a longer-term ambition to introduce such a mark. The immediate priority for Denmark, however, according to the recommendations of the Committee on Social Enterprises, is to set up a voluntary register to help define, legitimise and regulate social enterprises. Indeed, the Committee is of the view that it is important that the sector is mature and the market is ready, before a social enterprise mark is introduced. As such, it is recommended that any social enterprise mark is only introduced once a social enterprise register operates effectively.

Notably, a law on registered social enterprises (L 148 Forslag til lov om registrerede socialøkonomiske virksomheder) has been adopted by the Danish Government. However, no specific date has been set for the implementation of the registration system.

## 2.6 Social investment markets

This section provides an analysis of the supply of finance to social enterprises, and demand for finance from social enterprises. It also considers whether supply and demand are matched. The analysis is based on a documentary review and consultations with key stakeholders, including social investors, financial intermediaries and social enterprises.

### 2.6.1 The supply of finance

The supply of finance and investment explicitly targeted at social enterprises is rather limited in Denmark. Indeed, investment targeted specifically at social enterprises is primarily provided through Den Sociale Kapitalfond, which is a private equity/ venture capital fund.

#### Den Sociale Kapitalfond

Den Sociale Kapitalfond was founded in January 2012, with 25 million DKK (€3.35 million) of start-up capital from the Danish foundation TrygFonden (see text box below). As of July 2013, Den Sociale Kapitalfond had invested in four social enterprises (see Figure 2.1), with a further social enterprise in the pipeline. In total, the investment amounts to 10 million DKK or €1.34 million (including the social enterprise that is in the pipeline). The size of each investment ranges from 500,000 DKK to 3 million DKK (€67,000 to €400,000).

The average term is six years, although borrowers do not start paying back the loan until the third year. The expected social return on investment is two times the value of the loan.

Den Sociale Kapitalfond focuses on growth and scaling up and hence only supports social enterprises that are around 3-5 years old. There is also a requirement for the enterprises funded to have two bottom lines (i.e. economically viable but with a high SROI). Moreover, at least half of the employees in the enterprises have to be socially disadvantaged (e.g. long-term unemployed). Funding is also provided on the condition that no dividend is paid to owners/ shareholders for the

duration of the loan.

In addition to the provision of financial capital, Den Sociale Kapitalfond also provides 'intellectual capital' from a pro bono network of leading business service companies (or competence partners) - KPMG, Accura and Accenture (see Figure 2.1 below). As such, the fund can be seen as a high engagement investor.

In terms of write-offs, Den Sociale Kapitalfond included a 50 percent write off percentage in their budget for 2013 but they expect that the write off percentage in future budgets will be around 25percent. Encouragingly though, no loans have been written off to date.

Notably, one of the objectives of Den Sociale Kapitalfond is to prove that it is possible to have a financial return with social impact. However, it is going to take around 5-10 years to prove this.

Figure 2.1 Organisational structure of Den Sociale Kapitalfond



### TrygFonden

The Danish foundation TrygFonden was established to make Denmark a safer place. The foundation supports action-oriented, knowledge-based projects that contribute to an increased sense of safety locally and nationally. These projects range widely, from first aid courses to large-scale research projects. In 2012, TrygFonden distributed 550 million DKK (€73.7 million) across hundreds of projects. TrygFonden gives priority to:

- projects that relate to the everyday lives of Danes;
- long-term solutions;
- research;
- documentation; and
- professionally qualified partners.

Social enterprises that are not eligible and/ or unsuccessful in securing a loan or equity finance from Den Sociale Kapitalfond, are left to seek public sector funding (often on a project basis), private foundations and/or turn to commercial/ mainstream investors and financial intermediaries.



Indeed, the public sector continues to play an important role in terms of funding social enterprises, particularly during the initial phase of social enterprises. Public funding is, however, primarily provided on a project basis, which raises some questions in terms of sustainability. Charity organisation and private foundations have a long tradition of supporting projects relating to poverty, children, domestic violence, elderly care, physical or mental disabilities, but increasingly they are also providing grant funding to support social enterprises. For example, The Obel Family Foundation recently granted more than 5 million DKK over an eighteen month period to support the development of the social enterprise, Glad Mat, and thus laid the foundations for continued growth. Similarly, VELUX fonden, in association with VILLUM fonden, is funding the Social+ initiative. Interestingly, some private foundations are also showing a growing interest in taking on an active role in social enterprises (e.g. as a member of the Board). Notwithstanding this, it remains the case that private foundations tend to primarily invest in stable and proven organisations, which may make it difficult for social enterprises in the early stages of development to secure funding from such foundations.

In addition to funding from the public sector and charities/ private foundations, a limited number of banks, including Merkur Cooperative Bank, also specifically targets companies, institutions and projects with pronounced social, cultural and/or environmental objectives, some of which would be classified as social enterprises.

### **Merkur Cooperative Bank**

A member of the Global Alliance for Banking on Values, Merkur Cooperative Bank is founded on the idea of responsible handling of money, and on criteria that include environmental, social and ethical aspects as well as financial considerations.

Merkur do not provide finance exclusively to social enterprises and it is therefore difficult to estimate the share of lending (secured loans, lines of credit and guarantees) that is provided specifically to such enterprises. Overall, in excess of 1.2 billion DKK (€161 million) was pledged for loans within Merkur's core activities in 2012, representing more than two-thirds of total loans and guarantees. Dividing the loan amount pledged with the number of loans provided (2,249), the average loan value is estimated at around 550,000 DKK (€74,000), although it is understood that the loan amount can range from less than 100,000 DKK to 20-25 million DKK (€13,000 to €3.4 million).

The financing of loans and guarantees is sourced entirely from customer deposits. Private customers account for approximately 70 percent of such deposits, with the remaining share coming from NGOs, social institutions and companies. To date, Merkur has had sufficient resources to meet customer demand for loans, be they companies, institutions or private customers. In fact, there is potential for increasing lending activities because of an increase in deposits – up 11.4 percent on 2011.

Notably, Merkur offer customers the option of 'earmarking' their deposits. Such deposits were valued at 112 million DKK (€15 million) in 2012. Customers are also offered to have their interest waived and redistributed among customers who have a particularly innovative idea or who have gone through a particularly difficult period, which they have coped with, using significant and often voluntary efforts. Over the period 2004-2012 the value of the waived interest was in excess of 1.1 million DKK (€150,000). The waived interest in 2012 was distributed as a direct lowering of the interest on the loans granted to six borrowers.

The social impact of Merkur's lending activity is currently not measured in any systematic or technical way, but there is a project underway through the Global Alliance for Banking on Values. This project represents an impact matrix that seeks to explore how to measure non-financial impact. It has currently identified a set of criteria, which will be piloted soon.

With regards to the growth of the social investment market, and based on the consultations with investors and financial intermediaries, the main constraints are:

- a lack of attractive social enterprises to invest in;
- a lack of information on social return;
- an inability to reach commercial scale for managed products;

...and to a lesser extent:

- a lack of understanding of risk and how to price it; and
- the regulatory and legislative framework.

A further barrier to providing external finance to social enterprises (and other small businesses) is that the average investment size is relatively small which leads to relatively high fixed costs for each investment. Many social enterprises also lack investment readiness in terms of business planning or internal structures. For example, in some growing social enterprises it may be necessary to expand the business expertise, by for example employing an accountant, before accessing finance.

With regards to the mainstream market for external finance, the consultations suggest that there is no evidence that social enterprises are connected to a higher rate of write offs. In fact, social enterprises may in many cases have a lower financial risk, particularly when they have contracts with public sector organisations. Moreover, the financial returns on the loan are not determined by the structure of the business as it is based on loans rather than venture capital.

### 2.6.2 The demand for finance

Social enterprises are, just like other enterprises, often dependent on securing external capital and finance to start-up and grow. The demand for finance from social enterprises is still relatively low as the number of social enterprises is still fairly limited. Based on the consultations for this study, the amount of external finance being sought range from 100,000 DKK or €1,300 (overdraft) to 5-10 million DKK (€0.7-1.3 million) for growth firms. External finance is acquired for a range of reasons, including to support the acquisition of fixed assets and to finance the cash flow (e.g. to cover outstanding and/ or late payments).

Many promising social entrepreneurs in Denmark are struggling to grow and scale up their business, but not only due to a lack of finance. Indeed, whilst social enterprises typically have extensive social sector expertise, they often lack business expertise and investment readiness.

Paradoxically, social enterprises are also often considered too 'social' for commercial investors but too 'commercial' for social grant makers. Notably, lack of collateral and/ or investment readiness acts a considerable barrier for accessing finance in the mainstream market. Indeed, loans are often rejected on the basis of lack of collateral or a lack of confidence in the business plan.

Given the limitations on profit allocation, the owner of a social enterprise cannot realise a substantial profit but will, in the best case scenario, not lose money when establishing a social enterprise. As such, personal liability through guarantees negatively affects owners of social enterprises as they assume the full risk without the opportunity to make any profit.

Limited profit levels, resulting from a focus on social value added, are also a significant barrier to accessing financing.

Importantly, the social enterprises interviewed for this study do not generally consider access to finance to be more of a barrier than for other types of enterprises. So whilst it represents a challenge for many social enterprises (particularly during the start-up phase), it is not specific to social enterprises.

### 2.6.3 Market gaps/ deficiencies

Whilst the supply and demand for finance may not currently be sufficiently matched, leading to some difficulties in accessing finance for social enterprises, it is understood that this mismatch is generally not only due to a lack of available funding. For example, on the demand side there is currently a lack of attractive and investment ready social enterprises – because of inability to grow the enterprise and/ or a lack of business skills. This in turn influences the development of the social investment market. Indeed, with a lack of investment ready social enterprises, there is limited scope for expanding the social investment market further.

On the supply side, the main barriers for social enterprises relate to the criteria attached to different types of financial products (e.g. debt capital, equity capital, grants, etc.). For example, in terms of debt capital, the requirement to provide collateral and/or a guarantee represents a major stumbling block and risk for social enterprises. Moreover, many financial intermediaries and investors have limited knowledge of how social enterprises operate and the dual purpose that such enterprises serve. With regards to social grants, social enterprises are often seen as too commercial. In terms of financial products, there is perhaps a lack of equity and quasi-equity capital, with Den Sociale Kapitalfond being the only real social investor in Denmark.

Notably, one of the recommendations from the Committee on Social Enterprises is to develop the social investment market, in conjunction with competence development. This would include supporting the interest in, and awareness of, social enterprises in the financial sector (banks, private foundations and non-profit organisations); adjusting existing public financing schemes to fit social enterprises (e.g. Vækstfonden); and, in the longer term, setting up a joint Nordic working group with the goal of building a Nordic investment market targeting social enterprises.

The Committee also recommends that a social economic financing fund is established. This would provide financing and equity investments to support start-up, growth and development of social enterprises, and would be based on “match funding” (e.g. public risk capital match to private funds from banks, foundations and pension funds).

Furthermore, the Committee proposes that alternative financing opportunities, such as “crowdfunding”, “social impact bonds” and EU microloan programmes (e.g. PROGRESS), are examined.

In the longer term, it is recommended that tax incentives are also introduced to encourage more social investment.

## 2.7 Overview of the key actors in the social enterprise ecosystem

In the table below, we set out the main actors in the social enterprise ecosystem. This should, however, not be seen as an exhaustive list.

<b>Governmental departments or institutions designing or implementing policy, support instruments and measures for social enterprises and infrastructures</b>	<ul style="list-style-type: none"> <li>■ Ministry of Social Affairs, Children and Integration</li> <li>■ Ministry of Business and Growth</li> <li>■ Ministry of Employment</li> <li>■ The Danish Agency for Labour Market and Recruitment</li> <li>■ The Danish Business Agency</li> <li>■ Municipalities</li> </ul>
<b>Customers – authorities contracting social enterprises</b>	<ul style="list-style-type: none"> <li>■ Municipalities</li> <li>■ National Ministries</li> <li>■ Private sector</li> </ul>
<b>Organisations promoting, certifying and awarding social business labels</b>	<ul style="list-style-type: none"> <li>■ N/A</li> </ul>
<b>Institutions, civil society initiatives or other social enterprises promoting social entrepreneurship education and training, and presenting role models</b>	<ul style="list-style-type: none"> <li>■ Centre for Social Entrepreneurship, Roskilde University (CSE) and other educational institutions (e.g. Copenhagen Business School, Aarhus University and VIA University College)</li> <li>■ Centre for Social Economy (CSØ)</li> <li>■ “Social Entrepreneurs in Denmark”</li> </ul>

	Association
<b>Organisations that have the capacity to act as an observatory and to monitor the development and to the assess needs and opportunities of social entrepreneurs/social enterprises</b>	<ul style="list-style-type: none"> <li>■ Centre for Social Economy (CSØ)</li> <li>■ Centre for Social Entrepreneurship, Roskilde University (CSE)</li> <li>■ Centre for Corporate Social Responsibility, Copenhagen Business School (cbsCSR)</li> </ul>
<b>Providers of social enterprise start up and development support services and facilities (such as incubators)</b>	<ul style="list-style-type: none"> <li>■ The Hub Copenhagen</li> </ul>
<b>Business support providers</b>	<ul style="list-style-type: none"> <li>■ The Social Growth Programme</li> <li>■ (Social+/ Socialt Udviklingscenter SUS)</li> </ul>
<b>Facilitators of learning and exchange platforms for social enterprises</b>	<ul style="list-style-type: none"> <li>■ Centre for Social Economy (CSØ)</li> <li>■ Centre for Social Entrepreneurship, Roskilde University (CSE)</li> <li>■ “Social Entrepreneurs in Denmark” Association</li> </ul>
<b>Social enterprise (support) networks, associations</b>	<ul style="list-style-type: none"> <li>■ Centre for Social Economy (CSØ)</li> <li>■ Kooperationen</li> <li>■ “Social Entrepreneurs in Denmark” Association</li> </ul>
<b>Key providers of finance</b>	<ul style="list-style-type: none"> <li>■ The Social Capital Fund</li> <li>■ Merkur Cooperative Bank</li> <li>■ Private foundations, including VELUX/VILLUM fonden, Obel Family Foundation, Trygfonden</li> </ul>

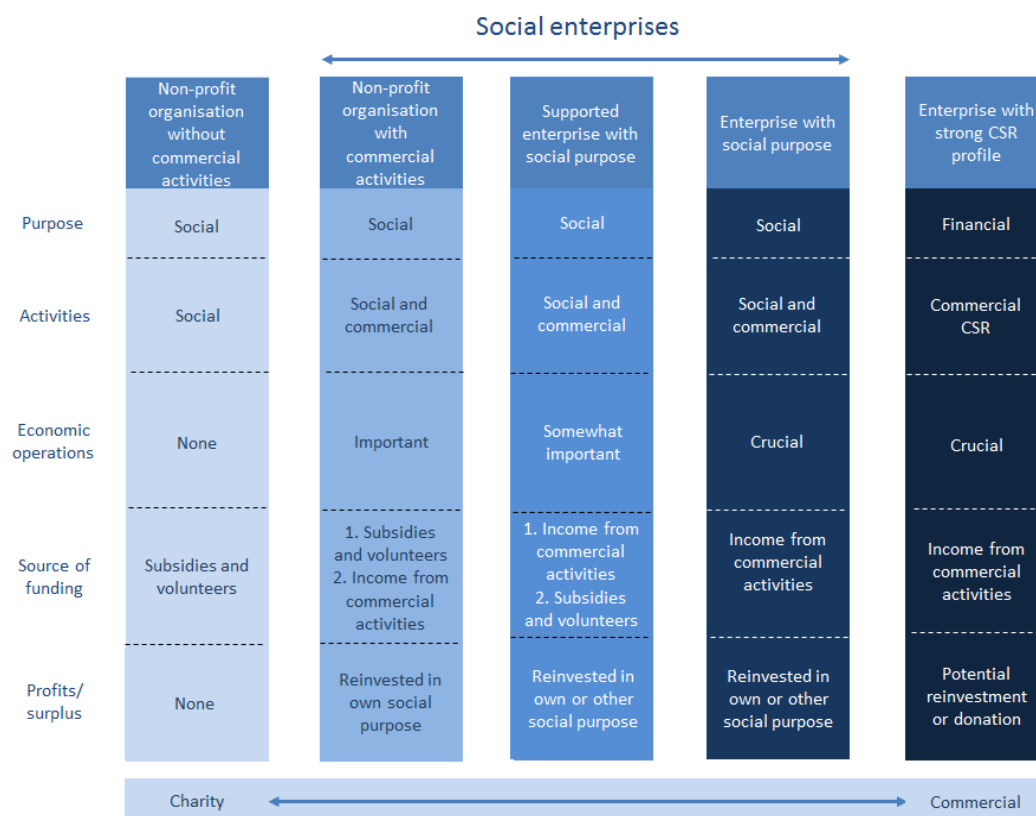
### 3 Mapping social enterprise activity in Denmark

This section maps the scale and characteristics of social enterprise in Denmark. It describes the role of social enterprises in addressing societal problems and the key enabling factors and constraints influencing their emergence and development.

#### 3.1 The spectrum of social enterprises in Denmark

The figure below highlights the diverse spectrum of social enterprises in Denmark and sets out the main differences between these various types of organisations, in terms of commercial activity, the resource base and the handling of profits.

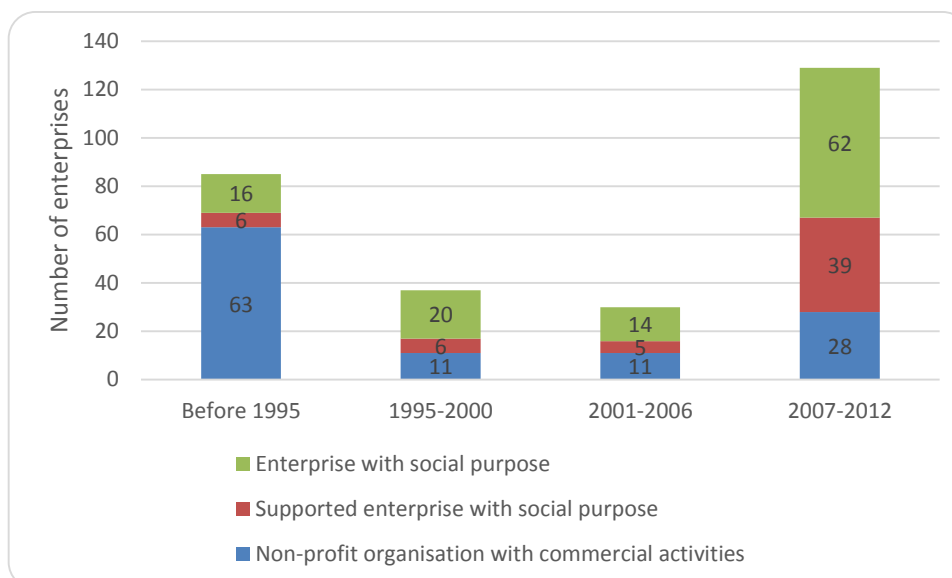
**Figure 3.2 Types of social enterprises**



Source: *Anbefalingsrapport fra udvalget for socialøkonomiske virksomheder, 2013*

Whilst the above figure goes some way towards defining the spectrum of social enterprises, it should only be considered as a snapshot of a rapidly evolving "sector". Moreover, social enterprises are not fixed to a particular type of organisation as changes in their business model would allow them to move between the different types of organisations.

Figure 3.3 shows that the most common forms of social enterprises are non-profit organisations with commercial activities and enterprises with social purpose, each accounting for 40 per cent of social enterprises. Interestingly, non-profit organisations with commercial activities account for a majority of social enterprises established before 1995, whilst supported and non-supported enterprises with social purpose account for most of the social enterprises established since 2007. As such, it would appear that there has been shift towards supported and non-supported enterprises with social purpose in recent years.

**Figure 3.3 Social enterprises by year of establishment and type of organisation**

Source: *Anbefalingsrapport fra udvalget for socialøkonomiske virksomheder, 2013*

### 3.2 Application of operational definition: determining the boundaries

Whilst recognising that there are some variations in the way that the term “social enterprise” is used in practice, there is generally broad agreement in Denmark regarding the defining characteristics of social enterprises, as set out in the National Civil Society Strategy and, most recently, in the Recommendation Report by the Committee on Social Enterprises.

It is also the case that these definitions are strongly correlated with the EU operational definition. Table 3.2 compares the EU operational definition and the definition presented by the Committee on Social Enterprises in 2013. For example, both definitions state that social enterprises must engage in economic activity and pursue an explicit and primary social purpose. Social enterprises should also be independent from the public sector and have guidelines regarding the use of profits/ surpluses.

**Table 3.2 Comparison between the EU operational definition and the national definition in Denmark**

Operational definition	Similarities / differences with the definition developed by the Committee on social enterprises
<b>must engage in economic activity</b> (must generate income from market sources)	Practically identical condition but perhaps with a greater emphasis on the share of income from market sources: “...the enterprise has a significant commercial activity through the sale of services and products, which constitutes a significant part of the enterprise’s revenues.”
<b>must pursue an explicit and primary social aim</b>	Practically identical condition but with an emphasis on active citizenship: “...the enterprise’s primary purpose is societal by nature, i.e. the primary goal is socially beneficial by nature and will address a social, occupational, health-related, environmental or cultural purpose and will also promote active citizenship.”
<b>must have limits on distribution of profits and assets:</b> the purpose of such limits is to prioritise the social aim over profit making	Practically identical condition: “...the enterprises [sic] allocates its entire profits to firstly supporting social purposes or

Operational definition	Similarities / differences with the definition developed by the Committee on social enterprises
	<i>reinvesting profits to the enterprise itself or other social enterprises; secondly to paying out limited dividends to its investors.</i>
<p><b>must be independent and participatory:</b>                      independence means autonomy from the state while participation means it allows stakeholder views to be appropriately represented in its decision making processes</p>	<p>Practically identical condition in terms of independence: <i>“...the company has a unique Central Business Register number and is operated independently from public influence with regards to operation and management.”</i></p> <p>With regards to decision making processes of social enterprises, the latest definition specifies that social enterprises should have responsible and inclusive corporate governance: <i>“...the enterprises [sic] is transparent in how it runs its business and management is dedicated to providing added value while maintaining a high level of ethical standards.”</i>As noted above, social enterprises should also <i>“...promote active citizenship.”</i></p>

**3.3 Measurement of social enterprises**

Historically, very little data has been collated in relation to social enterprises in Denmark. Perhaps the first estimate of “social enterprises” was published by the think-tank MandagMorgen in 2010. MandagMorgen estimated that there were 45,000 “professionally organised social enterprises” in Denmark. However, this estimate is widely considered as hugely overestimating the number of social enterprises in Denmark and is more reflective of the broader “social economy”. An alternative estimate of “social enterprises”, or work integration social enterprises to be more precise, was provided by CABI in 2012. This study estimated that there were 300 “social enterprises” in Denmark. However, this estimate was derived through a rather arbitrary data collection method (based on a survey of municipalities and job centres). More recently, two separate mapping studies of “social enterprises” have been published. These are described in more detail in the table below.

Table 3.3 Recent measurements of social enterprises

Author and date of publication	Definition and methodology	Measurement
Committee on Social Enterprises  September 2013	<p>Social enterprises were identified through existing lists of social enterprises, consultations with stakeholders and internet searches, using the following criteria:</p> <ul style="list-style-type: none"> <li>■ <i>social purpose</i> - its primary purpose is social in nature (i.e. the enterprise has a social, employment, health, environmental and/or cultural objectives which also promotes active citizenship);</li> <li>■ <i>significant economic activity</i> - the enterprise has a significant element of economic activities by selling services and/or products which form a significant part of its turnover;</li> <li>■ <i>independent from public sector</i> - the company has its own CVR number and functions without significant public influence over the management and operation of the enterprise;</li> <li>■ <i>allocation of profits</i> - the enterprise uses its profits primarily to promote social purposes, reinvest in their own or other social purposes and secondarily to limited dividend payments to investors (notably for some legal forms, including public and private companies, the social profit management will occur on a voluntary basis); and</li> <li>■ <i>responsible and inclusive corporate governance</i> - the company is transparent in its activities and has a governance structure that adds value and is ethically defensible.</li> </ul>	<p>Overall, <b>292 social enterprises</b>, including WISEs, were identified in the study.</p> <p>The distribution across the three types of social enterprises (as described in Figure 3.1) is as follows:</p> <ul style="list-style-type: none"> <li>■ Non-profit organisation with commercial activities - 114 (or 39 percent)</li> <li>■ Supported enterprise with social purpose - 61 (21 percent)</li> <li>■ Enterprise with social purpose - 117 (40 percent)</li> </ul>
Thuesen et al, Danish National Centre for Social Research (SFI)  September 2013	<p>In this study, “social enterprises” are defined as those organisations that:</p> <ul style="list-style-type: none"> <li>■ have primarily social and/or employment-related objectives;</li> <li>■ are CVR registered;</li> <li>■ are selling services and/or products;</li> <li>■ reinvest all or a majority of their surplus/profit in the organisation and/or to support its primary objectives; and</li> <li>■ employ and/or provide work experience for vulnerable unemployed individuals.</li> </ul> <p>The inclusion of the criterion on employment or work experience for disadvantaged individuals means that this study primarily focuses work integration social enterprises (WISEs)</p>	<p>In total, <b>115 WISEs</b> (spread across 129 workplaces) were identified and surveyed as part of the study.</p>



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Author and date of publication	Definition and methodology	Measurement
	<p>WISEs were identified through “snowball sampling”. The analysis is based on a survey of the identified WISEs, as well as a register based analysis of enterprises with at least 20 per cent of their employees that were unemployed and categorised as match group 2 (ready for active employment measures) or match group 3(temporarily on passive support) the year before. The enterprises identified through the register based analysis may not, however, be classified as WISEs, as they may not fulfil the criterion on social purpose.</p>	

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In summary, and reflecting the various criteria used to identify “social enterprises”, the total number of enterprises identified in the above studies range from 115 to 292 “social enterprises”. The mapping study undertaken by the Committee on Social Enterprises generally provides the best estimate of the total number of social enterprises active in Denmark. There is however a relatively good compatibility between the two studies. The SFI study identifies 115 WISEs, which is largely consistent with the estimate of 114 social enterprises working with a target group (i.e. WISEs) in the Committee report.

Regardless of which estimate that is used, it is clear that social enterprises represent a very small proportion of enterprises in Denmark. Indeed, using the social enterprises identified by the Committee on Social Enterprises, it is estimated that social enterprises represent less than 0.1 percent of all active enterprises (see Table 3.3). Notwithstanding this, nearly half of all social enterprises were established between 2007 and 2012 (which can be compared with 34 per cent among all enterprises). Interestingly, this coincides with the various initiatives launched from 2007 to support competence and capacity building, as well as policy making within the field of social enterprise.

**Table 3.4 Establishment of new social enterprises**

Established	Social enterprises	All enterprises	Share of all enterprises (%)
2007-2012	129	102,283	0.13
2001-2006	30	69,880	0.04
1995-2000	37	41,790	0.09
before 1995	85	89,416	0.10

Source: *Anbefalingsrapport fra udvalget for socialøkonomiske virksomheder, 2013*

The SFI study show a similar pattern in terms of WISEs, with approaching two fifths (37 per cent) established since 2010 and around a third (34 per cent) established before 2001.

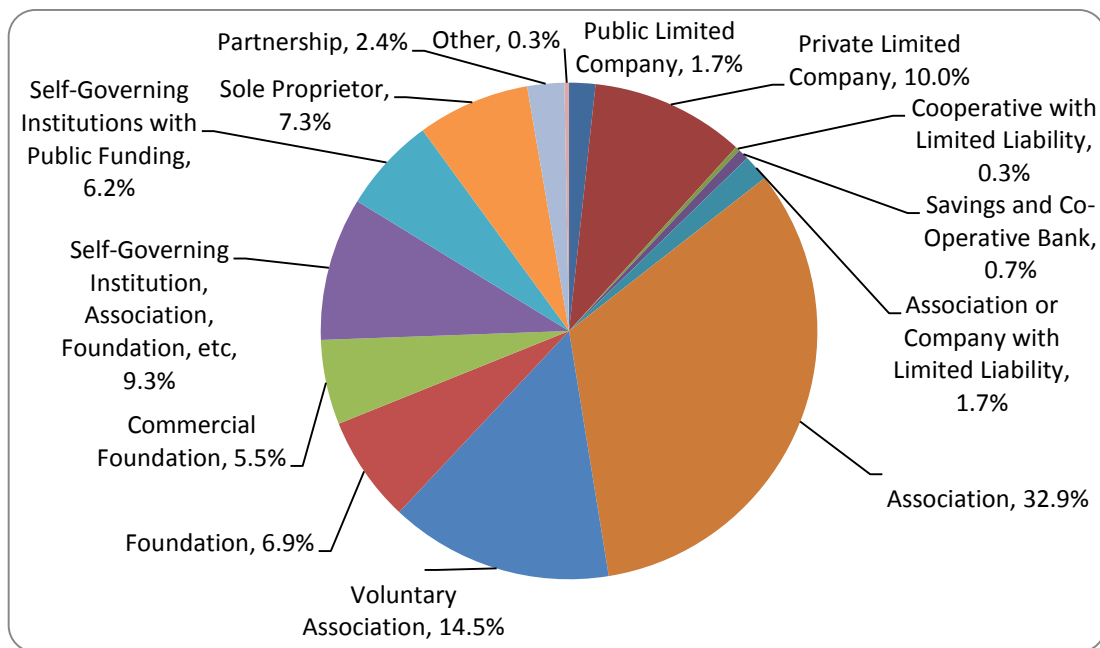
Among the 12 social enterprises interviewed for this study, eight have been established since 2007, many of them in the last three years.

## 3.4 Characteristics of social enterprises

### 3.4.1 Legal forms

In Denmark, there is no legal definition or exclusive legal form for social enterprises. Indeed, social enterprises in Denmark are organised across a wide range of legal forms (see Figure 3.4). Whilst nearly half of the social enterprises have been established as associations (32.9 percent) or voluntary associations (14.5 percent)<sup>2</sup>, other common legal forms include private limited companies (10.0 percent), self-governing institutions, associations, funds, etc. (9.3 percent), sole proprietors (7.3 percent) and foundations (6.9 percent).

<sup>2</sup> There are several different types of associations. A common feature of all associations is that they have to have more than one member, and all parties have to agree on a common purpose. The purpose and the actual activity determine the type of association and registration requirements. Generally, voluntary associations are not required to be registered (i.e. obtain a CVR number), unless they are receiving public funding or have a business activity.

**Figure 3.4 Social enterprises by type of legal form, 2013**

Source: *Anbefalingsrapport fra udvalget for socialøkonomiske virksomheder, 2013. Based on 292 social enterprises.*

The organisational structure identified in the above mapping study is slightly different to that outlined in the research by the National Centre for Social Research (SFI). This can to a considerable extent be explained by the fact that the SFI study surveyed WISEs and thus had a much narrower focus. Specifically, it found that legal forms, such as commercial foundation (15.3 per cent), private limited company (12.2 per cent), sole proprietor (11.2 per cent) and public limited company (3.1 per cent) are more commonly used by WISEs than social enterprises more generally. Conversely, the use of legal forms such as voluntary associations (4.1 per cent) and foundations (2.0 per cent) are less commonly used among WISEs. Similar to the Committee's mapping study, around a third of WISEs operate as associations (or association or company with limited liability).

This flexibility in terms of legal forms is seen as an important feature for the development of social enterprises in Denmark, as it allows social entrepreneurs to choose the legal form that best suits their needs and requirements.

### 3.4.2 Business models

#### *Sources of income*

An important characteristic of many social enterprises in Denmark is that they are still closely connected to the public sector and heavily dependent on public funding. Indeed, Hulgård, 2009, notes that Danish social enterprises are more dependent on the public sector than, for example, social entrepreneurial initiatives in the US. In the US, the partnerships between social entrepreneurs and commercial entrepreneurs as a way of developing new solutions to problems of social cohesion is more pronounced and emphasised. However, in a well-established and extensive welfare state such that in Denmark, it is not surprising that social enterprises are dependent on good relations with the public sector. This does not indicate that social enterprises necessarily lack autonomy for carrying out their purposes. Indeed, according to Hulgård, 2009, a pure bottom-up approach to non-profit organisations and social capital would not work in the Nordic countries with a historic legacy of a comprehensive and active welfare state. For example, a study from the mid-1990s estimated that 38 per cent of the income of voluntary organisations was from public source, while the rest was membership fee, donations, sales, etc. (Jakobsen, 2001a). This should, however, not lead to the assumption that the strong connection between the public sector and the voluntary sector is a barrier for social enterprise autonomy: "Governmental influence or top-

down processes in general, are not synonymous with removing power and autonomy from the voluntary sector. The extent and type of such influence depend on context and differ across time and space, and cannot be regarded as an a priori assumption" (Selle, 1999, p. 146).

Recent estimates of the share of income from public sources suggest that 83 percent of sales by WISEs are to the public sector, most of which are to municipalities<sup>3</sup> (Thuesen et al 2013). Although not directly comparable, this is in contrast with the wider mapping of social enterprises undertaken by the Committee on Social Enterprises which found that only 30 percent of social enterprises have a business model that involves the sale of goods and services to the public sector. Such differences may, however, reflect the greater reliance on the public sector for WISEs compared to social enterprises more generally.

### Social impact

Social impact is derived both from the employment of vulnerable and/ or disadvantaged individuals (with or without employment subsidies) and the provision of "welfare" goods and services (e.g. provision of advice and support in relation women's health – Props and Pearls; provision of bicycles and financial aid to Africa – Cykelven; etc.).

### Use of paid workers

In employment terms, the Committee report estimates that social enterprises employ approaching 3,500 FTEs<sup>4</sup>. This represents an increase of some 54 per cent since 2003. This can be compared with the 116 per cent growth in the number of social enterprises, thus indicating that recently established social enterprises are smaller in scale than previously.

**Table 3.5 Existing estimates of the economic weight of social enterprises**

Year	Number of social enterprises	Number of FTEs <sup>5</sup> employed by social enterprises	Total business population (including social enterprises)	Total number of people employed	Social enterprises as a percent of the total business population (%)
2012	281 (or 1,018 units) <sup>6</sup>	3,483 FTEs	303,369	n/a	0.09
2011	241	3,360 FTEs	275,712	2,168,346	0.09
2009	190	n/a	293,885	2,185,207	0.06
2007	164	n/a	305,319	2,286,094	0.05
2005	146	n/a	296,072	2,182,824	0.05
2003	130	2,263 FTEs	300,733	2,134,338	0.04

Source: *Anbefalingsrapport fra udvalget for socialøkonomiske virksomheder, 2013; and General enterprise statistics (Danish Statistics), 2013.*

Whilst social enterprises account for a relatively small share of total employment in Denmark, they are important in terms of (re-)integrating vulnerable groups in the labour market, particularly WISEs. For example, the SFI study found that 31 percent of the surveyed WISEs employed individuals with a disability, whilst 40 percent of enterprises employed individuals with a mental illness. Over a quarter of WISEs also employ individuals that are or had been homeless, an alcoholic, a drug addict or a prostitute. Notably,

<sup>3</sup> Based on interviews with 45 enterprises.

<sup>4</sup> It is not possible to calculate social enterprises' relative share of employment as the denominator is expressed as employees rather than FTEs.

<sup>5</sup> Representing 1,924 hours per year.

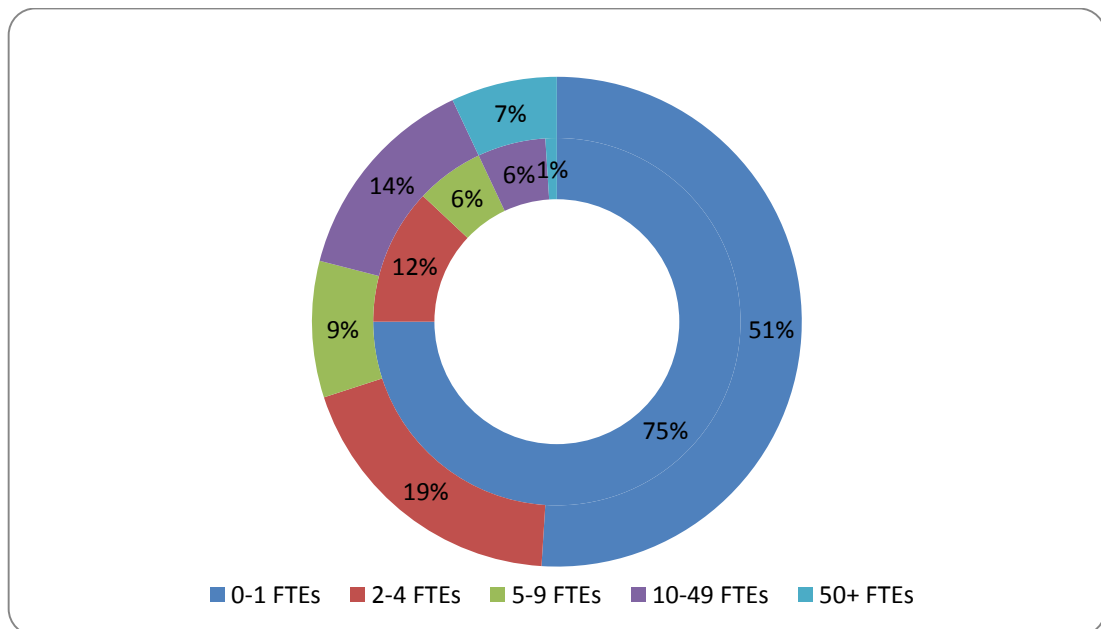
<sup>6</sup> Based on VAT registered enterprises (first half of 2012). Enterprises established after this date are not included in the data. So whilst 292 social enterprises were identified only 281 were registered during the first half of 2012.

employment in WISEs can be on a permanent basis or as part of active labour market policies<sup>7</sup>.

Many social enterprises also remain closely connected to the voluntary sector and thus often receive assistance from volunteers. Indeed, the SFI survey of WISEs suggests that around 60 percent of the enterprises surveyed benefit from volunteers (on average nine volunteers per organisation). Notably, the reliance on volunteers is higher for enterprises with five or fewer employees. The interviews of social enterprises undertaken for this study also indicate that most social enterprises make use of volunteers to a greater or lesser extent.

Reflecting the relatively low levels of employment associated with social enterprises, a significant proportion of social enterprises represent micro enterprises with less than 10 FTEs, as illustrated in the figure below (social enterprises are represented by the outer ring, whilst all enterprises in the Danish economy are represented by the inner ring). Whilst representing over half of social enterprises, the presence of social enterprises with 0-1 FTEs is significantly lower than for the business population as a whole, where 75 percent of enterprises are represented within this size category.

**Figure 3.5 Social enterprises (outer ring) and all enterprises (inner ring) by employment size, 2013**



Source: *Anbefalingsrapport fra udvalget for socialøkonomiske virksomheder, 2013*

Similarly, the SFI survey found that WISEs employ on average 19 people (not FTEs), of which five, on average, are employed on special conditions (e.g. through the disabled employment programme, “fleksjob”, or other subsidised employment). This can be compared with an average of 12.4 FTEs per social enterprise in the report by the Committee. Notably, among the different types of social enterprises, it is the case that enterprises with social purpose generally have a far greater number of FTEs – on average 20.7 compared with around 7 FTEs for non-profit organisations with commercial activities and supported enterprises with social purpose.

Based on the interviews undertaken for this study, employment ranges from 3 to 500 employees, although the overwhelming majority are micro or small enterprises.

<sup>7</sup> SFI survey findings are based on responses from 104 workplaces (or 96 social enterprises), representing a response rate of 81 per cent (83 per cent for social enterprises).

### 3.4.3 Fields of activity

With regards to the specific sectors that social enterprises operate in, the survey undertaken by the Committee on Social Enterprises reveals that health and social services account for 40.6 percent of enterprises and 60.1 percent of FTEs. Other service activities account for around a quarter of enterprises and a tenth of FTEs. The remaining enterprises are spread across a wide range of activities, including most notably, research/science (6.4 percent), education (5 percent), information and communication (4.6 percent), retail (4.6 percent), agriculture, fisheries and transport (3.2 percent) and finance, insurance and real estate (3.2 percent). In terms of employment, the main activities are in relation to agriculture, fisheries and transport (9.2 percent), information and communication (5.9 percent), education (5.5 percent) and finance, insurance and real estate (5.1 percent). These estimates should, however, be treated with caution as social enterprises do not fit neatly into standard industrial classifications. For example, all associations and foundation with social or charitable objectives are included in the health and social services sector, regardless of their actual activities (e.g. cafes and second hand shops). This is also the case for the other services sector. As such, the estimates provided in the table below may underestimate the proportion of social enterprises that are activity in certain sectors, including, for example, hotels and restaurants and retail.

**Table 3.6 Social enterprises by sector, 2013**

Sector	Number of enterprises	Share of enterprises (%)	Number of FTEs	Share of FTEs
Health and social services, including associations and foundations with social and charitable objectives (Q) <sup>8</sup>	114	40.6	2,094	60.1
Other service activities, including organisations and associations (S)	70	24.9	346	9.9
Research (M)	18	6.4	14	0.4
Education (P)	14	5.0	191	5.5
Information and communication (J)	13	4.6	207	5.9
Retail (G)	13	4.6	23	0.7
Agriculture, fisheries, transport, etc. (A, H, etc.)	9	3.2	320	9.2
Finance, insurance, real estate, etc. (K, L, etc.)	9	3.2	179	5.1
Culture and leisure (R)	8	2.8	47	1.3
Production (C)	7	2.5	40	1.1
Hotels and restaurants (I)	6	2.1	22	0.6
Total	281	100.0	3,483	100.0

*Source: Anbefalingsrapport fra udvalget for socialøkonomiske virksomheder, 2013; NB. The table is based on the standard industrial classification of enterprises in Denmark (DB07 – 19 industries). Some sectors have been combined for confidentiality reasons. Sectors with no social enterprises have not been included.*

In the SFI survey, around a third of WISEs were involved in the provision of public services, including health and well-being, social security and education. However, WISEs were also found to be involved in activities relating to culture, professional/ consumer services and hotels and restaurants.

A recent study by CABI (2012) found that many social enterprises are established following social engagement in a particular topic, local area and/ or group of people. As such, some

<sup>8</sup> This sector will include social enterprises that could also be classified within other sectors such as “hotels and restaurants”.

social enterprises concentrate on creating employment opportunities for individuals with specific physical, psychological or social disabilities or issues.

Another category of social enterprises are those with a background within the public sector, but that are now operating independently, e.g. as private foundations.

A third category of social enterprises are those that have been established by municipalities, although there are currently only a few of these. Moreover, these may not fulfil the criterion on independence from the public sector.

An overwhelming majority of the social enterprises interviewed were set up as a social enterprise from the start. In many cases such enterprises have been founded by social entrepreneurs (on their own or in partnership) in response to an identified gap in the market. However, there are also examples of where social enterprises have started as a project within a different organisation and then subsequently registered as a separate and independent organisation (e.g. Incita and BOMI Roskilde).

### Incita

Incita was originally established as a training institute as part of Rigshospitalet (the main hospital in the Capital Region of Denmark), supporting people with work-related injuries. From 2005 the organisation became independent from the municipality of Copenhagen and started operating as a foundation with business operations (erhvervsdrivendefonde). Incita provides support to unemployed and incapacitated individuals with the aim of creating a more inclusive labour market. In 2012, 16 per cent of its workforce was employed through special measures.

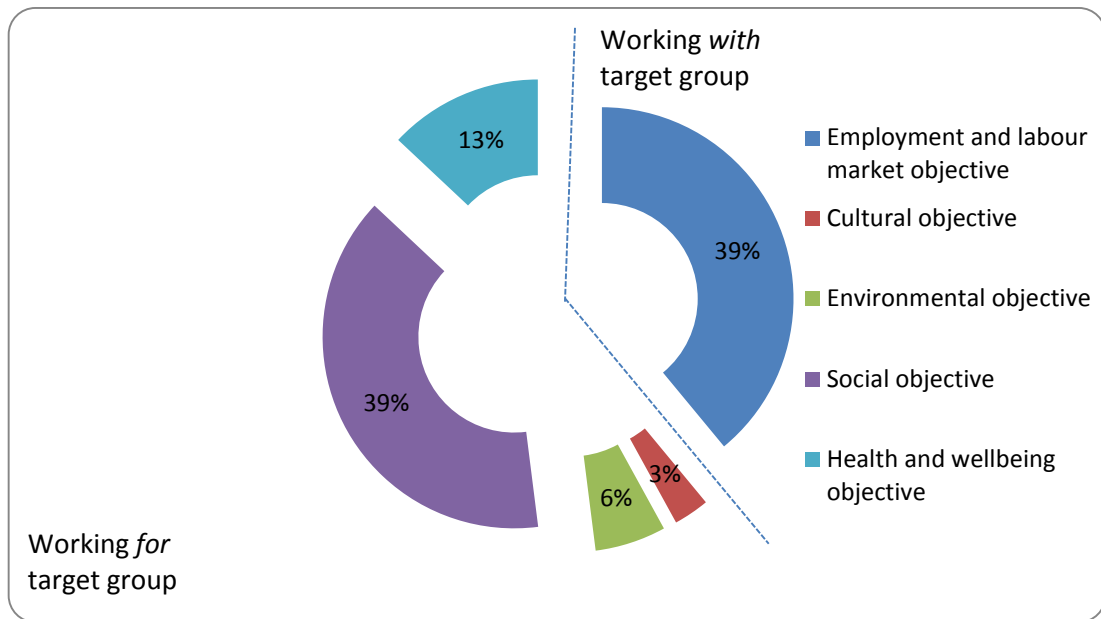
### BOMI Roskilde

BOMI is self-governing institution that has a service level agreement with the municipalities of Roskilde and Køge. BOMI Roskilde, through Revacentret, seeks to support the employability of people that because of illness or injuries are marginalised from the labour market, including through courses, information material and sheltered employment. Through Hjerneskadecentret, BOMI also specialises in rehabilitation, job training, job retention and protection of working capacity for people with brain injuries.

#### 3.4.4 Target groups

Social enterprises can be distinguished on the basis of how they interact with their target groups, i.e. whether they work *for* or *with* a specific target group(s). With regards to Danish social enterprises, a majority work *for* specific target groups primarily on social objectives. Other objectives covered by social enterprises that work for specific target groups include cultural, environmental and health objectives. Another type of social enterprises is those that work *with* specific target groups (i.e. WISEs). Such social enterprises primarily have employment and labour market objectives. Notably, social enterprises with employment and labour market; and social objectives account for a considerable proportion of social enterprises, with each accounting for 39 percent (a total of 78 percent).

Figure 3.6 Thematic objectives of social enterprises, 2013



Source: *Anbefalingsrapport fra udvalget for socialøkonomiske virksomheder, 2013*

Social enterprises with employment and labour market objectives are also heavily represented among the social enterprises interviewed for this study. To a considerable extent, this reflects the prevalence of work integration social enterprises in Denmark. Notably, many of these WISEs benefit from employment subsidies through active labour market activities (e.g. Skånejob and Fleksjob)<sup>9</sup>. However, as revealed by the interviews of social enterprises for this study, there are also social enterprises that have an employment and labour market objective without using employment subsidies, including Bybi and FondenAllehånde.

### Bybi

Bybi is a city bee association that seeks to increase the bee population in Copenhagen, as well as produce bee related products (e.g. honey, beehives, etc.). In addition to its environmental mission, Bybi also has an important social mission by training and employing people that have been marginalised on the labour market, including formerly homeless and people with mental health issues.

### FondenAllehånde

FondenAllehånde provides catering services to meetings, conferences and public/ private organisation in the Copenhagen area, whilst at the same time providing employment and training for young people with a hearing impairment.

## 3.5 Summary of mapping results

The table below provides an overview of the mapping results using the operational definition as the basis for

<sup>9</sup> Such employment subsidies are not specific to social enterprises and are also available for private sector organisations (with certain restrictions).



Table 3.7 Mapping the 'universe' of social enterprises in Denmark

Dimension	Criterion	National social enterprises		
		Non-profit organisations with commercial activities	Supported enterprise with social purpose	Enterprise with social purpose
<b>Core criteria</b>				
Entrepreneurial dimension	The organisation must engage in economic activity: this means that it must engage in a continuous activity of production and/or exchange of goods and/or services	Yes	Yes	Yes
Social dimension	It must pursue an explicit and primary social aim: a social aim is one that benefits the society	Yes	Yes	Yes
Independence and governance	It must have limits on distribution of profits and/or assets: the purpose of such limits is to prioritise the social aim over profit making	Yes	Yes	Yes
	It must be independent i.e. organisational autonomy from the State and other traditional for-profit organisations	Yes	Yes	Yes
	It must have inclusive governance i.e. characterised by participatory and/ or democratic decision-making processes	Not explicit	Not explicit	Not explicit
<b>Estimated number (2013)</b>		<b>114</b>	<b>61</b>	<b>117</b>
<b>Mapping criteria</b>				
Entrepreneurial dimension	Share of income derived from : fees (incl. membership fees);trading income; rental income on assets; income from public contracting (both competitive tenders and direct contracting); grants and donations etc.	1. Subsidies and volunteers 2. Income from commercial activities	1. Income from commercial activities 2. Subsidies and volunteers	1. Income from commercial activities
	The use of paid workers	Yes	Yes	Yes

Dimension	Criterion	National social enterprises		
		Non-profit organisations with commercial activities	Supported enterprise with social purpose	Enterprise with social purpose
Social dimension	Fields of activity	Social purpose (incl. health, environment, culture, etc)	Social purpose (incl. health, environment, culture, etc)	Social purpose (incl. health, environment, culture, etc)
	Target groups (customers/ users of goods and services provided)	Varies	Varies	Varies
Independence and governance	Transparency - a system for measuring and reporting impact	Not explicit	Not explicit	Not explicit

The following observations and conclusions can be drawn from the table above:

- The identified types of social enterprises comply with most operational criteria and most certainly the de minimis criteria (economic activity and social aim).
- There are no institutionalised forms of social enterprise in Denmark. Social enterprises have the freedom and flexibility to choose a legal form that best suits their purposes. As a result, the compliance with the criteria is not bound to a particular regulatory/ legal framework.
- The majority of social enterprises in Denmark are either non-profit organisations with commercial activities or enterprises with social purpose – each accounting for 40 per cent of social enterprises.
- Notably, the recent growth in social enterprises has largely been concentrated in enterprises with social purpose (and, to a lesser extent, supported enterprise with social purpose) – see Figure 3.2.
- It therefore follows that more recently established social enterprises are different from traditional and/ or longer established social enterprises. For example, newer social enterprises have a stronger entrepreneurial dimension as they demonstrate greater reliance on income from commercial activities; and engage in wider fields of activity – moving beyond the more traditional activities of non-profit organisations.

### 3.6 Opportunities and barriers

There are a number of drivers and policy changes that have influenced the social enterprise model in Denmark. For example, the transition of the welfare state towards “activation” has strengthened the link between active labour market policies and the social enterprise model (Hulgård and Bisballe, 2008) and thus provided the basis for work-integration social enterprises (WISEs). Today, WISEs are what you would most strongly associate with social enterprises in Denmark, although this is slowly starting to change.

Social entrepreneurship and social enterprise have also been shaped by two major global trends since the mid-1980s. The first of these two trends is the marketisation and privatisation of the public responsibility for public welfare (Gilbert, 2002, Borzaga and Santuari, 2003, Pestoff, 2009, Hulgård, 2010). The second trend is the experimentation with new forms of solidarity and collectivity by civil society and social movements (Hart, Laville and Cattani, 2010, Hulgård, 2010). In particular, Hulgård (2010) notes that the re-orientation of welfare states in the direction of privatisation and membership has generated a new role for civil society and created a new and improved room for collective and solidarity movements to influence the future evolution of the welfare state. However, there are still many uncertainties around how this will actually play out in practice.

Most social enterprises encounter challenges across all phases of their development, although difficulties particularly arise when social projects with public support establish as enterprises with social purpose and when social enterprises wish to scale up their operations.

#### *Dependence on subsidies and grants*

Perhaps the greatest challenge for new and established social enterprises is the creation of economic viability – i.e. translating social activities/ projects to enterprises that can compete on market conditions. Time limited public subsidies and/ or grants (public and private) account for a large share of income for many social enterprises, particularly during the start-up phase. The reliance on subsidies and/ or grants is, at least in part, a result of the difficulties in accessing finance from other sources, as well as difficulties in accessing public contracts. Many social enterprises are therefore forced to “chase” subsidies and/ or grants, often on an annual basis, which limits their opportunities for long-term planning and business development.

#### *Legal/ regulatory framework*

The lack of a legal/ regulatory framework is seen as an important challenge for social enterprises starting up and/or scaling up. In particular, the lack of a formal social enterprise register or mark has resulted in some incoherence in the way the term is being utilised. This, in turn, has resulted in some differing views as to what social enterprises are all about. One of the interviewees also

notes that the increasing interest among municipalities to set up social enterprises may result in some “crowding out” of independent social enterprises and/ or result in unfair competition.

Relating to the legal/ regulatory framework, some social enterprises, particularly WISEs, also mention the restrictions that are placed in relation to employment regulations. More specifically, WISEs find that the employment regulations in relation to active labour market activities (§48 and §62 lov om en aktivbeskæftigelsesindsats) are too restrictive and act as a constraint on growth. For example, there are specific rules about how many individuals that you can employ on special conditions (“rimelighedskravet”). For example, an organisation can only employ one individual with a wage subsidy for every five individuals with an ordinary employment contract (although organisations with 50 employees or more are only allowed to take on one individual on a wage subsidy). However, since October 2013 exemptions can be made in relation to social enterprises and individuals on early retirement.

#### *Relationship with the public sector*

Most social enterprises interviewed would like to compete on market terms and not be overly influenced by the public sector (directly through grants or indirectly through employment subsidies). However, those social enterprises that target their goods and services to the public sector would like to see better access to public procurement contracts. Specifically, social enterprises find it difficult to compete for contracts to deliver public services for a variety of reasons, including: the large contract sizes of many Government and municipal contracts; pre-qualification and specification requirements which inhibit competition by requiring long track records or a very strong financial position; and the fact that many social enterprises tend to be new market entrants.

Moreover, many public bodies focus on price as the differential, as opposed to quality, meaning that highly innovative and efficient services may find it difficult to receive the initial backing needed to prove new models and achieve scale. As such, social enterprises would like to see greater use of social criteria in the evaluation of tenders. For example, given that many social enterprises employ marginalised groups, they are often less productive than other enterprises (at least initially) and as such it can be difficult to compete on price. Nevertheless, given the social missions and benefits associated with many social enterprises, the benefits to society are likely to far outweigh any savings made in relation to the price of public tenders.

Further to the issues relating to public procurement procedures, social enterprises also mention issues in relation to the relationship and communication with municipalities and other public organisation. For example, one interviewee notes that social enterprises often fall between different departments of the municipality (e.g. social services and economic development) and thus have difficulties in accessing information and support from the municipality. This is also something that has been identified as a barrier by the evaluation of the strategy on social enterprises in Copenhagen. Indeed, social enterprises find that it is difficult to sell, and/or obtain support for, their goods and services, as they may relate to more than one department of the municipality.

Another interviewee notes that there is a lack of understanding of social enterprises within the public administration and that private sector organisations often have a greater understanding of social enterprises. Naturally, there is also some tension between social enterprises and the public sector, as greater involvement of social enterprises in services that have traditionally been provided by the state or the local government do not produce win-win outcomes (at least not initially/locally).

Finally, social enterprises are often conceived as competitors to existing public activities and interventions.

#### *Access to finance*

Similar to other Danish enterprises, social enterprises depend on access to finance, particularly in the early stage of development and during the expansion stage.

Social enterprises, however, face a number of barriers in terms of accessing external finance. For example, social enterprises rarely fit into existing business initiatives or schemes due to the dual purpose. Indeed, awarding criteria in most business schemes focus on growth potential and

turnover. Moreover, in social enterprises there are limitations on profit allocation. As such, owners of social enterprises cannot realise a substantial profit. This in combination with requirements for personal liability through guarantees negatively impact on social enterprises' ability to access external finance - owners of social enterprises assume the entire risk associated with the enterprise without being given the possibility to make a substantial profit from their efforts.

Another issue is that the availability external finance from the private sector tend to relate to start-up capital and/ or support for specific activities. With the exception of the Social Capital Fund, external finance is rarely available for long-term investments directed at business or product development. Notably, the Social Capital Fund only provides funding for social enterprises that are established (3-4 years). Access to venture capital therefore represents a significant barrier to the development of social enterprises in Denmark, particularly in the early stages of development.

There are some suggestions that challenges in relation to access to finance are less prominent among WISEs than other types of social enterprises. For example, the SFI survey suggests that issues relating to access to finance are not more significant for WISEs than other enterprises. Some 42 percent of WISEs state that they have not had any problems to access lines of credit to support their operations, whilst 23 percent have to a greater or lesser extent had problems to access lines of credit. Notably, over a third of enterprises do not have any lines of credit. The SFI survey also shows that a large proportion of WISEs have solved any issues relating to access to finance by raising their own capital (e.g. by using personal assets), receiving grants from private foundations and/ or by accessing public funding (e.g. SATS-puljen). This is also something that has come out strongly in the social enterprise interviews carried out for this study. Notably, where social enterprises have accessed external finance in the form of a loan, it has often been secured through personal assets.

#### *Lack of competences and skills*

Social enterprises are often established by "enthusiasts" with strong social competences and extensive experience of social issues. However, they often have limited experience and knowledge experience and knowledge of running a business (Committee on Social Enterprises, 2013). This is further complicated by the fact that social enterprises focus on creating both social and economic added value, e.g. by integrating disadvantaged and marginalised groups as well as delivering a product and/or services that meets market needs, which means that social enterprises are generally more complex than traditional enterprises. There is therefore a need for support measures, such as business idea development and business start-up, designed specifically for social enterprises. Equally, it is essential that business support service providers have a good understanding and knowledge of working with social enterprises.

#### *Lack of awareness*

Another challenge is the lack of awareness and understanding of social enterprises among the general public and prospective customers, partners and investors. This impacts on sales, establishment of partnerships and financing. The Committee on Social Enterprises have therefore proposed that efforts are made to raise public awareness related to social enterprises, including through information campaigns, local anchoring of knowledge of social enterprises as well as measurement and documentation of the overall impact of social enterprises on society as a whole.

#### *Social innovation*

Social innovation in Denmark should to be seen in the light of a historically strong welfare state. The universal welfare system – a complex social inventions in itself – acts as a safety net for all citizens, and is based on solidarity. The welfare system is constantly evolving, but this evolution happens in small, slow steps. Sørensen and Frederiksen (2010) identifies a number of reasons for the relatively slow development in this field:

- the size of the welfare state and public organisations creates inertia, holding them back in, for instance, the field of knowledge sharing;

- the complexity of the public sectors task and work – many professionals and stakeholders are involved in developing new initiatives;
- the fear of making mistakes minimizes risk taking – risk taking is an essential part of any innovation process; and
- the public sector are under financial pressure – few resources are left for development.

So whilst the welfare state holds the main responsibility for solving social problems in Denmark, the strong public sector, paradoxically, also act as a constraint to social innovation (Sørensen and Frederiksen, 2010).

This is, however, not to say that there are not any other obstacles faced by social innovators, such as support infrastructure.

### 3.7 Future perspectives

In order to further develop and strengthen the social enterprise market, a number of policy recommendations of the Committee on Social Enterprises were presented in September 2013:

- *Introducing new legislation and administrative procedures* - the Committee recommends introducing a special registration model that defines, legitimises and regulates the sector and helps to create a common identity for social enterprises in Denmark. Furthermore, the Committee propose to launch a number of measures to strengthen the interaction between the public sector and social enterprises, as a means of coordinating public administrative practices in relation to social enterprises. A clear legal framework and a minimum level of administrative burden are crucial for social enterprises to focus on their core business and not use unnecessary resources for administration.
- *Increasing awareness* - the Committee recommends that the general public are made aware of social enterprises and that further knowledge and intelligence on social enterprises is gathered. Better awareness of social enterprises is essential in supporting the public's trust in social enterprises and in ensuring some level of public recognition. In particular, it is important to strengthen the relationship with potential customers, investors and partners.
- *Strengthening entrepreneurship and competence building* - the Committee recommends a focus on inspiring the development of new social enterprises and business models, as well as supporting the development of competences in existing social enterprises. Furthermore, social enterprises can play an important role in strengthening labour market skills among vulnerable groups. The presence of appropriate business and social competencies are needed to ensure that more people establish, operate and develop viable social enterprises.
- *Improving funding opportunities* - the Committee recommends the establishment of a social investment market, where new and existing investors provide venture capital for social enterprises. This may include the establishment of a social economic fund, as well as consideration of other alternative capital options. Social enterprises are, like most other enterprises, dependent on capital and funding for start-up and growth.
- *Increasing the focus on social considerations in partnerships and public procurement* - the Committee recommends that focused efforts are undertaken to support social considerations in partnerships and procurement between public and private clients and social enterprises. Increased cooperation with actors in the private and public sectors is essential for social enterprises to achieve greater market opportunities and to establish a stronger customer base.

Importantly, most of the stakeholders and social enterprises that we have interviewed for this study broadly agree with the recommendations of the Committee. To a considerable extent, this reflects the involvement (directly or indirectly) of various stakeholders in the work of the Committee.

## Annex 1 Comparative overview of legal forms commonly used by social enterprises in Denmark

Legal form	Association	Foundations	Company limited by shares ("CLS")
Definition	<p>An association is a voluntary union of persons founded to achieve the goal specified in the statutes of the organisation.</p> <p>Associations in Denmark can have various forms:</p> <ul style="list-style-type: none"> <li>■ Voluntary associations, which are not registered.</li> <li>■ Non-commercial associations, which are allowed to engage in commercial activities to support their purposes and are required to register with the Danish Central Business Register if they either engage in commercial activities, have employees or receive support from public bodies.</li> <li>■ "Self-owning" institutions/associations which are comparable with foundations but exempt from the legislation on foundations.</li> <li>■ Commercial associations with limited liability, which carry out business for the promotion of the personal financial interests of its participants and are required to be approved and registered by the Danish Business Authority. Commercial associations are not used by social enterprises and have not been included in this report.</li> </ul>	<p>A foundation does not have any members and is "self-owning" meaning that surpluses and assets of the foundation cannot be distributed or refunded but only used for other objectives specifically stated in the Articles of Association.</p> <p>Foundations in Denmark can have various forms:</p> <p>Commercial foundations registered by the Danish Business Authority</p> <p>Non-commercial foundations registered by the Department of Civil Affairs which engage in commercial activities to support their purposes</p> <p>Foundations, "self-owning" institutions/associations and other organisations comparable with registered non-commercial foundations with commercial activities but exempted from the legislation on foundations and – as a consequence – the Danish Act on Taxation of Foundations.</p> <p>A foundation is considered to be commercial, unless the commercial activities are of a limited extent or only concerns an insubstantial part of its total assets.</p> <p>Organisations comparable with commercial foundations but with assets not exceeding DKK 300,000 are not covered by the Danish Act on Commercial Foundations or the Danish Act on Taxation of Foundations</p>	<p>A CLS is a form of company commonly used by for-profit organisations. A CLS is typically established with commercial aims, to distribute profits to its shareholders. A company established with solely commercial aims would not be considered a social enterprise.</p> <p>Companies limited by shares in Denmark can have various forms:</p> <ul style="list-style-type: none"> <li>■ Public limited company ("Aktieselskab" – "A/S")</li> <li>■ Private limited company ("Anpartsselskab" – "Aps")</li> <li>■ Entrepreneur company ("Iværksætterselskab" – "IVS")</li> </ul> <p>A social enterprise can still use a CLS as its legal form. The constitution (Articles of Association) of a CLS can be drafted to provide for the features of a social enterprise. For example, the Articles can include social purposes and provisions which cap the dividends that can be paid to shareholders. Unless the Articles of Association also include 'entrenchment provisions', which seek to embed these features in the Articles, these features can be amended by a special resolution of 75 per cent or more of the company's members. This means that the company's assets are not "locked" for use for social purposes in the same way as the assets held by a foundation.</p>

Legal form	Association	Foundations	Company limited by shares ("CLS")
Key national legislation governing legal form	There is no written legislation except for tax regulation.	Danish Act on Commercial Foundations Danish Act on Foundations and Certain Associations	Danish Act on Public and Private Limited Companies

and must register as a commercial association at the Danish Business Authority and pay corporate tax.

The following organisations comparable with non-commercial foundations are - or can be - exempted from the Danish Act on Foundations and Certain Associations:

- organisations with total assets not exceeding DKK 250,000 established before 01/01/1992 or approved with less assets by The Department of Civil Affairs;
- organisations under similar supervision and economic control by another public body according to special legislation;
- "self-owned" institutions and similar organisations which as a condition for approval or financial support from public bodies are under supervision and economic control from a public body according to other special legislation; and
- "self-owned" institutions and similar organizations, whose activities mainly are financed by public bodies and under public supervision, if it is stated in the Articles of Association that the public body is sole competent to take decision on distribution of surplus assets in case of dissolution.

A social enterprise that uses the CLS legal form is able to entrench certain features of its Articles of Association so they cannot be amended by a simple special resolution of the members. For example, the company's Articles could be drafted so that amendments to the Articles could not be made without the consent of another social enterprise, organisation or public authority. If it is stated in the Articles of Association that specific articles cannot be amended, amendments of these articles will not be allowed by Erhvervsstyrelsen, the Danish Business Authority.

A business may have the same Articles of Association as a for-profit commercial business but in practice may operate as a business with a social purpose. There is some scope for argument as to whether such organisations can still be considered "social enterprises" if the directors could freely decide to change the business' emphasis to generating profit for owners and shareholders to the detriment of its social aims.



Legal form	Association	Foundations	Company limited by shares ("CLS")
Whether the legal form is used exclusively or not exclusively for social enterprise	Not exclusively for social enterprise.	Not exclusively for social enterprise.	Not exclusively for social enterprise.  A company limited by shares can pursue any purpose and a company limited by shares' purposes (objects) will be unrestricted unless any restrictions on a company's objects are specifically set out in the company's Articles of Association.  The objects of a CLS may include a reference to the social enterprise' social aim(s). Unless the Articles of Association include entrenchment provisions, the objects of a CLS can be amended by special resolution of the members.
Methods of creation	An association can be formed without any written documents, based only on an oral agreement, but will normally have written Articles of Associations and a written Memorandum of Association. These are required for the registration of the association with the Danish Central Business Register.	Commercial foundations must make an application including a Memorandum of Association and its Articles of Association to Erhvervsstyrelsen (Danish Business Authority).  Non-commercial foundations must make an application including a Memorandum of Association and its Articles of Association to Civilstyrelsen (The Department of Civil Affairs).	To form a CLS must make an application including its Memorandum of Association and Articles of Association to Erhvervsstyrelsen (Danish Business Authority).
Required capital or assets	There is no requirement for the legal form to hold a minimum level of capital or assets.	A commercial foundation must have a minimum capital of DKK 300,000.  Non-commercial foundations require a minimum capital of DKK 250,000, unless exempted.	A public limited company (Aktieselskab - A/S) must have a minimum capital of DKK 500,000.  A private limited company (Anpartsselskab - Aps) must have a minimum capital of DKK 50,000.  Entrepreneur companies

Legal form	Association	Foundations	Company limited by shares ("CLS")
Management and corporate governance	<p>All registered associations must have at least 1 natural person as a legitimised contact person for the association. Associations receiving financial or other forms of substantial support from public bodies must have a board of directors of at least 3 natural persons.</p> <p>The requirements concerning board and executive management are normally set out expressly in the Articles of Association. If the Articles of Association are silent in these questions, the legislation on limited liability companies is used as customary law.</p> <p>Board members are normally appointed at the Annual General Assembly. Often the Articles allow for board members to be appointed at extraordinary general assemblies.</p> <p>The duties of board members and executive directors are normally set out expressly in the Articles of Association.</p> <p>The board is responsible for overall, strategic management of the association.</p>	<p>Both commercial and non-commercial foundations must have a board of directors with at least 3 natural persons.</p> <p>The requirements concerning board and executive management are normally set out expressly in the Articles of Association.</p> <p>The first board of directors is appointed by the founders. Subsequent members of the board are often appointed by the board itself, by a public body or an organisation in accordance with the Articles of Association. The majority of the board of directors cannot be founders, members of family or closely related.</p> <p>The supervising public body, if one, can appoint and remove members of board if the board or individual members of board are not complying with the requirements of the law.</p> <p>The main responsibility of the board is to decide on use of surpluses of the foundation according to the objectives stated in the Articles of Association. The board is responsible that the annual accounts and reports of the foundation complies with the law and are audited, that its assets are properly managed, that the financial resources are adequate at all times, and that the foundation has sufficient liquidity to</p>	<p>(Iværksætterselskab – IVS) require a minimum capital of only DKK 1.</p> <p>Required to have a board although in private limited companies (Aps) and entrepreneur companies (IVS) it may be only one person.</p> <p>A limited liability company may adopt one of the following management structures:</p> <ul style="list-style-type: none"> <li>■ A management structure where the limited liability company is managed by a board of directors responsible for overall and strategic management. The board of directors must appoint an executive board to be responsible for the day-to-day management of the company. The executive board must either consist of one or more persons who are also members of the board of directors, or consist of persons who are not members of the board of directors. In both cases, persons in charge of day-to-day management will be designated as executive officers, and together they form the executive board of the limited liability company. The majority of the members of the board of directors of public limited companies must be non-executive directors. No executive officer in a public limited company may be chairman or vice-chairman of the board of directors of that company.</li> <li>■ A management structure where the limited liability company is</li> </ul>

Legal form	Association	Foundations	Company limited by shares ("CLS")
		meet its current and future liabilities as they fall due.	<p>managed by an executive board. In public limited companies, the executive board must be appointed by a supervisory board that oversees the executive board. No member of the executive board may be a member of the supervisory board.</p> <p>In public limited companies the majority of the members of boards of directors and supervisory boards must be elected and removed by the shareholders.</p> <p>Executive boards and officers are appointed and removed by the board of directors or the supervisory board.</p> <p>In private limited companies and entrepreneur companies with only one shareholder the shareholder normally also is the executive director.</p>
Rights of members	<p>Legal form has members.</p> <p>Ultimate control of the association rests with the members because of their rights to attend, speak and vote at general meetings. They can pass resolutions which change the Articles of Association and to appoint and remove directors.</p> <p>Members have the right to receive the annual accounts, including the directors' and auditors' reports.</p>	Legal form does not have members.	<p>Legal form has members (shareholders).</p> <p>Ultimate control of the CLS rests with the members because of their rights to attend, speak and vote at general meetings. They can pass resolutions which change the Articles of Association and to appoint and remove directors.</p> <p>Members have the right to receive the annual accounts, including the directors' and auditors' reports.</p>
Voting and representation of members	Members are represented in General Meetings, which are held in	Not applicable to legal form.	Required to hold an annual general meeting.

Legal form	Association	Foundations	Company limited by shares ("CLS")
in general meetings	<p>accordance with the Articles of Association.</p> <p>Associations receiving support from public bodies are required to hold an annual general meeting (an "Annual General Assembly"). All other members' meetings are called "general meetings" and may be called at any time by the directors. The period of notice required is usually 14 days unless a longer period is stated in the Articles of Association.</p> <p>Members can also require the directors to call a general meeting.</p> <p>Members' resolutions are either ordinary resolutions which are passed by a simple majority (51 per cent or more) of members eligible to vote and voting, or special resolutions which are passed by 75 per cent or more members eligible to vote and voting. Certain decisions, such as amendments to the Articles of Association dissolution and voluntary liquidation, can only be made by special resolution.</p>		<p>All other members' meetings are called "general meetings" and may be called at any time by the directors. Period of notice required is usually 14 days unless a longer period is stated in the Articles of Association. Meetings can be held on shorter notice if a certain percentage of members consent. Members can also require the directors to call a general meeting.</p> <p>All members can appoint a proxy to attend, speak and vote at a members' meeting. The proxy does not have to be another member. Proxies can vote on a show of hands or a poll, if members have more than one vote depending on shareholding.</p> <p>Members' resolutions are either ordinary resolutions which are passed by a simple majority (51 per cent or more) of members eligible to vote and voting, or special resolutions which are passed by 75 per cent or more members eligible to vote and voting. Certain decisions, such as amendments to the Articles of Association, can only be made by special resolution.</p>
Types of shares, if any	Not applicable to legal form.	The legal form does not have shares.	Legal form has shares. Shares usually carry voting rights but this is not always the case. The rights attaching to the shares are set out in the Articles of Association.
Distribution of dividends on share capital (admissibility and restrictions)	Not applicable to legal form.	Not applicable to legal form.	Dividends are distributed on paid-up share capital unless the Articles of Association include a restriction or

Legal form	Association	Foundations	Company limited by shares ("CLS")
			prohibition on paying dividends.  It is possible that the Articles of Association of a social enterprise could include a restriction or prohibition on paying dividends. Alternatively, the Articles of Association (or a shareholders' agreement) could contain a mechanism requiring the payment of dividends only in certain circumstances; such a mechanism could work on the basis of a percentage of distributable profits. Unless the Articles of Association include entrenchment provisions, any limitations on the dividends that can be paid to shareholder may be amended by special resolution of the members.
Distribution of reserves (admissibility and restrictions)	No legal provisions regarding reserves.	Assets allocated to a reserve fund for consolidation of the assets of the foundation can only be used for donations after approval from the supervising public body.	No legal provisions regarding reserves.
Allocation of the surplus particularly to compulsory legal reserve funds	No requirement to allocate surpluses to compulsory legal reserve funds.  Associations are able to allocate surpluses to reserve funds for the benefit of society or charity free of tax.	No requirement to allocate surpluses to compulsory legal reserve funds.	No requirements to allocate surpluses to compulsory legal reserve funds except for Entrepreneur Companies which are required to allocate surpluses to a compulsory legal reserve fund until assets are DKK. 50,000.
Distinction dividends/refunds and distribution of refunds	Refunds not applicable to legal form.	Refunds not applicable to legal form.	Refunds not applicable to legal form.
Restrictions on ability to trade	The objects set out in the association's Articles of Association may include a reference to a social enterprise' social aim(s). If this is the case then the association should only pursue	The objects set out in the foundation's Articles of Association may include a reference to a social enterprise' social aim(s). If this is the case then the foundation should only pursue	The objects set out in the company's Articles of Association may include a reference to a social enterprise' social aim(s). If this is the case then the company should only pursue economic

Legal form	Association	Foundations	Company limited by shares ("CLS")
	<p>economic activity which is consistent with the stated social aim.</p> <p>If the association's Articles of Association do not expressly state objects, the association's purposes are unrestricted and it can undertake any economic activity provided that it is not for promotion of the personal financial interest of the members but only of the purpose of the association.</p>	<p>economic activity which is consistent with the stated social aim.</p> <p>If the Articles of Association do not expressly state objects, the foundation's purposes are unrestricted and it can undertake any economic activity.</p>	<p>activity which is consistent with the stated social aim.</p> <p>If the company's Articles of Association do not expressly state objects, the company's purposes are unrestricted and it can undertake any economic activity.</p>
<p>Internal financing (e.g. investment title, member investors, increase in members contributions)</p>	<p>Articles of Association can stipulate that membership of the association is subject to members paying subscriptions which are essentially a membership fee. This is a separate and different requirement to members providing a guarantee in the event of a company winding up.</p> <p>The level of subscriptions can be set by members' resolution at the Annual General Assembly.</p> <p>An association can also seek donations or loans from its members.</p>	<p>Not applicable to legal form.</p>	<p>Subject to any restrictions set out in the Articles of Association, a CLS can access external investment in the same way as a for-profit commercial company. A CLS can allot or issue shares to its members to raise capital.</p> <p>Rules restricting directors' powers to allot shares are supplemented by the pre-emption rules. Pre-emption is a right of first refusal for existing shareholders over issues of new shares, allowing them to preserve their percentage shareholding in the company (provided they have sufficient funds available to subscribe for the new shares).</p> <p>An investor who makes an equity investment into the company by purchasing shares, will become a member of the company.</p> <p>A CLS can also seek loans from its members and it can issue bonds to its members.</p>
<p>External financing (eg. banking loans,</p>	<p>An association cannot raise funds by way of equity investment. However,</p>	<p>A foundation can raise funds through donations. A foundation can obtain</p>	<p>A CLS can be financed by offering equity in the company in return for</p>

Legal form	Association	Foundations	Company limited by shares (“CLS”)
issuing bonds, specific investment funds) including possibility for non-member investors	an association can obtain loans from banks or other financier. An association could enter into a joint venture with other external investment partners.	loans from banks or other financiers. A foundation could enter into a joint venture with other external investment partners.	external investment, loans or other forms of debt, such as bonds.  If the investor is providing a loan or purchasing bonds, there is no requirement for an investor to become a member.
Transparency and publicity requirements (and related auditing issues)	<p>Generally there are no legal requirements for associations to file reports or accounts.</p> <p>Many set out in the Articles of Association that the annual accounts of the association must be public available at the office or website of the association.</p> <p>Associations receiving financial support from public bodies or major private donations and “self-owning” institutions are normally obliged to send annual accounts for approval to the relevant public body or private organisation.</p> <p>Associations approved by tax authorities to receive donations free of tax for the donator are obliged to send audited annual reports to the tax authorities, but they are not published.</p> <p>All associations which are required to register with the Danish Central Business Register must also send annual tax returns to the tax authorities, but they are publically available.</p> <p>An association with commercial activities’ annual accounts for a</p>	<p>Commercial foundations are required to submit annual returns and accounts to the Erhvervsstyrelsen – the Danish Business Authority</p> <p>Non-commercial foundations must file annual returns and accounts with the tax authorities.</p> <p>Both commercial and non-commercial foundations are required to have external audits.</p>	<p>The CLS must file an annual return at the Danish Business Authority, including a statement of capital along with an original copy of its annual accounts, signed by a director or the secretary, together with the directors’ report and auditors’ report.</p> <p>Annual reports including annual accounts are published by Erhvervsstyrelsen – Danish Business Authority, and CVR, the Central Business Register (CVR).A company’s annual accounts for a financial year must be audited unless the company is exempt from audit under the small companies’ exemption, dormant companies exemption or if the company non-profit making and subject to a public sector audit.</p>

Legal form	Association	Foundations	Company limited by shares ("CLS")
	financial year must be audited unless the association is exempt from audit under the small companies' exemption, dormant companies' exemption or if the association is subject to a public sector audit.		
Employee involvement systems	Associations are not required to, but often have employees also as members of the association and as members of board.	<p>In commercial foundations participation of staff in board might be required according to the regulation governing companies limited by shares.</p> <p>In non-commercial foundations participation of staff in board is voluntary.</p> <p>Remuneration of members of board must not exceed what is considered to be usual.</p>	<p>Paid members of staff of the company can sit as directors on the company's board.</p> <p>In limited liability companies that have employed an average of at least 35 employees for the preceding three years, the employees are entitled to elect representatives and alternate representatives to the company's supreme governing body, corresponding to half the number of the other management members.</p> <p>A CLS can structure its internal affairs to incentivise staff as it wishes. A range of options are available from forms of share option to ownership by an employee benefit trust where the employees as a group may have indirect ownership of a substantial part of the company.</p>
Rules on bankruptcy, receivership, winding up, voluntary or mandatory liquidation	If a solvent association wishes to wind up its affairs, the directors may make a statutory declaration that the association is able to pay its debts in full. The members can then pass resolutions putting the association into voluntary liquidation and appointing an insolvency practitioner as liquidator. The liquidator will then usually realise the assets and distribute the surpluses according to the Articles of Association	<p>Both commercial and non-commercial foundations can only be wound up after approval by the supervising public body.</p> <p>There are a number of ways in dealing with foundations which are unable (or likely to become unable) to pay their debts:</p> <ul style="list-style-type: none"> <li>■ Administration - the directors or</li> </ul>	If a solvent company wishes to wind up its affairs, the directors may make a statutory declaration that the CLS is able to pay its debts in full. The members can then pass resolutions putting the company into voluntary liquidation and appointing an insolvency practitioner as liquidator. The liquidator will then usually realise the assets and distribute the proceeds according to law.



Legal form	Association	Foundations	Company limited by shares ("CLS")
	<p>and law.</p> <p>There are a number of ways of dealing with associations which are unable (or likely to become unable) to pay their debts, which reflect the main forms of insolvency procedure under the general law for ordinary companies:</p> <ul style="list-style-type: none"> <li>■ Administration - the directors, members or creditors of the association can apply to the court for the appointment of an administrator to manage the association's affairs. The appointment effectively stops other proceedings against the association with a view to saving it as a going concern in whole or part.</li> <li>■ Members Voluntary Liquidation - depending upon circumstances the administrator, or liquidator, of an association, or its directors can propose a voluntary arrangement for approval by the creditors. This may consist of a compromise whereby the creditors receive less than the full amount of their debts.</li> <li>■ Creditors Voluntary Liquidation - This is similar to Members Voluntary Liquidation (above) except that the liquidator is appointed at a meeting of the creditors.</li> <li>■ Compulsory Liquidation - The creditors may apply to the court for the company to be wound up on the ground that it is unable to pay its debts.</li> </ul>	<p>creditors of the foundation can apply to the court for the appointment of an administrator to manage the foundation's affairs if the foundation is unable (or likely to become unable) to pay its debts. The appointment effectively stops other proceedings against the foundation with a view to saving it as a going concern in whole or part. This gives the foundation time to introduce a voluntary arrangement, or some other compromise, or arrangement, or get a better price for its assets than would be likely in a liquidation.</p> <ul style="list-style-type: none"> <li>■ Voluntary Liquidation - depending upon circumstances the administrator, or liquidator, of a foundation, or its directors can propose a voluntary arrangement for approval by the creditors. This usually consists of a compromise whereby the creditors receive less than the full amount of their debts.</li> <li>■ Creditors Voluntary Liquidation - This is similar to Voluntary Liquidation (above) except that the liquidator is appointed at a meeting of the creditors.</li> <li>■ Compulsory Liquidation - The creditors may apply to the court for the foundation to be wound up on the ground that it is unable to pay its debts.</li> </ul>	<p>A company "ceases to exist" when its legal personality has been terminated by dissolving the corporation and striking it off at the Danish Business Authority.</p> <p>There are a number of ways of dealing with companies which are unable (or likely to become unable) to pay their debts, which reflect the main forms of insolvency procedure under the general law for ordinary companies:</p> <ul style="list-style-type: none"> <li>■ Administration - the directors, members or creditors of the company can apply to the court for the appointment of an administrator to manage the company's affairs. The appointment effectively stops other proceedings against the company with a view to saving it as a going concern in whole or part.</li> <li>■ Members Voluntary Liquidation - depending upon circumstances the administrator, or liquidator, of a company, or its directors can propose a voluntary arrangement for approval by the creditors. This may consist of a compromise whereby the creditors receive less than the full amount of their debts.</li> <li>■ Creditors Voluntary Liquidation - This is similar to Members Voluntary Liquidation (above) except that the liquidator is appointed at a meeting of the creditors.</li> </ul>

Legal form	Association	Foundations	Company limited by shares (“CLS”)
Distribution of the proceeds of dissolution, liquidation, disinvestment (in particular provision of asset lock)	Any surplus assets and capital are distributed as provided for in the Articles of Association.	Any surplus assets and capital are distributed as provided for in the Articles of Association.	<ul style="list-style-type: none"> <li data-bbox="1624 247 2033 395">■ Compulsory Liquidation - The creditors may apply to the Court for the company to be wound up on the ground that it is unable to pay its debts.</li> </ul> Any surplus assets and capital can be distributed between the members, provided the Articles of Association do not include an alternative provision.
Conversion to another form of company	An association can convert into a foundation or “self-owned” institution and must convert if it no longer can be exempted from the Act on Foundations.	A foundation can convert into an association or “self-owned” institution after approval of the supervising public body.	An entrepreneurship company (IVS) can convert into a private limited company (Aps), a private limited company (Aps) can convert to a public limited company (A/s), and a public limited company (A/S) can convert to a private (Aps), but not an entrepreneur company (IVS).

## Annex 2 List of Information Sources

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## A2.2 List of consultees

<b>Name of the person interviewed</b>	<b>Role/ Organisation</b>	<b>Stakeholder category</b>
<i>Ulrik Boe Kjeldsen</i>	<i>Head of Section; Ministry of Children, Equality, Integration and Social Affairs</i>	<i>Social enterprise stakeholder</i>
<i>Sophian Drif</i>	<i>Head of Section; Ministry of Children, Equality, Integration and Social Affairs</i>	<i>Social enterprise stakeholder</i>
<i>Thomas Bisballe</i>	<i>Project advisor, Copenhagen Business Service, Municipality of Copenhagen</i>	<i>Social enterprise stakeholder</i>
<i>HelleHygumEspersen</i>	<i>Municipality of Copenhagen</i>	<i>Social enterprise stakeholder</i>
<i>Maj Baltzarsen</i>	<i>Chief Advisor; Centre for Social Economy</i>	<i>Social enterprise stakeholder</i>
<i>Jens Terp</i>	<i>Chairman; FrieBørnehaverogFritidshjem  Board Member of Kooperationen/ Chairman of Social Enterprises in Denmark (industry association within Kooperationen)</i>	<i>Social enterprise stakeholder</i>
<i>Gurli Jacobsen</i>	<i>Lecturer, Centre for Social Entrepreneurship, Roskilde University</i>	<i>Social enterprise stakeholder</i>
<i>Anne Sørensen</i>	<i>Co-founder, Social+, Social Development Centre</i>	<i>Social enterprise stakeholder</i>
<i>Trine Alette Panton</i>	<i>Manager, Place de Bleu (Foreningen Qaravane)  Vice Chairman of Social Enterprises in Denmark (industry association within Kooperationen)</i>	<i>Social enterprise</i>
<i>Inger Steen Møller</i>	<i>Manager; Huset Venture Nordjylland</i>	<i>Social enterprise</i>
<i>Aase Rieck Sørensen</i>	<i>Manager; Danish Centre for Conflict Resolution</i>	<i>Social enterprise</i>
<i>Erik Schrøder</i>	<i>Founder and owner; Multitasker</i>	<i>Social enterprise</i>
<i>Birgitte Baht</i>	<i>Founder and Manager; Props and Pearls</i>	<i>Social enterprise</i>
<i>Oliver Maxwell</i>	<i>Founder and Manager; Bybi</i>	<i>Social enterprise</i>
<i>Simon Sheard</i>	<i>Founder and Director; FondenAllehånde</i>	<i>Social enterprise</i>
<i>Brian Sørensen</i>	<i>Founder and Manager; Changemakers</i>	<i>Social enterprise</i>
<i>Frank Binderup</i>	<i>Director; Revacentret BOMI</i>	<i>Social enterprise</i>
<i>Torben Dreier</i>	<i>Director; FO-Aarhus</i>	<i>Social enterprise</i>
<i>Johannes Bjerrum</i>	<i>Manager of Communication and Marketing; Incita</i>	<i>Social enterprise</i>
<i>Alexander Høst Frederiksen</i>	<i>Owner; Cykelven</i>	<i>Social enterprise</i>
<i>Lars Pehrson</i>	<i>CEO; Merkur Cooperative</i>	<i>SIFI</i>

Name of the person interviewed	Role/ Organisation	Stakeholder category
<i>Bank</i>		
<i>Steen B. Lohse</i>	<i>Investment Manager; Den Sociale Kapitalfond</i>	<i>SIFI</i>

The social enterprises selected for interview have been identified using the Social Enterprise Index on the Centre for Social Economy website. As far as possible, we have sought to ensure a suitable mix of social enterprises, including in relation to size, objective and geography.