



European
Commission

SOCIAL ENTERPRISES AND THEIR ECOSYSTEMS IN EUROPE

Country report
DENMARK

Lars Hulgård
Lisa Chodorkoff

Social Europe

This report is part of the study “Social enterprises and their ecosystems in Europe” and it provides an overview of the social enterprise landscape in Denmark based on available information as of December 2018. It describes the roots and drivers of social enterprises in the country as well as their conceptual, fiscal and legal framework. It includes an estimate of the number of organisations and outlines the ecosystem as well as some perspectives for the future of social enterprises in the country.

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This report provides an overview of the social enterprise landscape in Denmark based on available information as of December 2018. The report updates a previous version, submitted by ICF Consulting Services to the European Commission in 2014. The current report has been prepared as part of a contract commissioned by the European Commission to the European Research Institute on Cooperative and Social Enterprises ([Euricse](#)) and the EMES International Research Network ([EMES](#)). Lars Hulgård and Lisa Chodorkoff from Roskilde University were in charge of producing the report.

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Countries included in the three social enterprise mappings by the European Commission

No	Country	TYPE	2014	2016	2018-19
1	Albania	Fiche	-	-	✓
2	Austria	Report	✓	-	✓
3	Belgium	Report	✓	✓	-
4	Bulgaria	Report	✓	-	✓
5	Croatia	Report	✓	-	✓
6	Cyprus	Report	✓	-	✓
7	Czech Republic	Report	✓	-	✓
8	Denmark	Report	✓	-	✓
9	Estonia	Report	✓	-	✓
10	Finland	Report	✓	-	✓
11	France	Report	✓	✓	-
12	Former Yugoslav Republic of Macedonia	Fiche	-	-	✓
13	Germany	Report	✓	-	✓
14	Greece	Report	✓	-	✓
15	Hungary	Report	✓	-	✓
16	Iceland	Fiche	-	-	✓
17	Ireland	Report	✓	✓	-
18	Italy	Report	✓	✓	-
19	Latvia	Report	✓	-	✓
20	Lithuania	Report	✓	-	✓
21	Luxembourg	Report	✓	-	✓
22	Malta	Report	✓	-	✓
23	Montenegro	Fiche	-	-	✓
24	The Netherlands	Report	✓	-	✓
25	Norway	Fiche	-	-	✓
26	Poland	Report	✓	✓	-
27	Portugal	Report	✓	-	✓
28	Romania	Report	✓	-	✓
29	Serbia	Fiche	-	-	✓
30	Slovakia	Report	✓	✓	-
31	Slovenia	Report	✓	-	✓
32	Spain	Report	✓	✓	-
33	Sweden	Report	✓	-	✓
34	Switzerland	Report	✓	-	-
35	Turkey	Fiche	-	-	✓
36	United Kingdom	Report	✓	-	✓

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List of acronyms

- > **CSE** Centre for Social Entrepreneurship (Roskilde University)
- > **CBS** Copenhagen Business School
- > **CSR** Corporate social responsibility
- > **EaSI** European programme for Employment and Social Innovation
- > **FTE** Full time equivalents
- > **LRSE** Law on Registered Social Enterprises
- > **MCB** Merkur Cooperative Bank
- > **SEM** International Master in Social Entrepreneurship and Management
- > **MSE** Master of *Socialt Entreprenørskab*
- > **NPO** Non-profit organisation
- > **RSV** Registered Social Enterprises
- > **SBI** Social Business Initiative
- > **SCF** Social Capital Fund
- > **SED** Social Entrepreneurs in Denmark (*Sociale Entreprenører i Danmark*)
- > **S-ENT** Social Entrepreneurship and Social Innovation Research Group
- > **STU** Public funding for cognitively challenged young people (*Særligt Tilrettelagte Ungdomsuddannelse*)
- > **VFSA** Enterprise Forum for Social Responsibility (*Virksomhedforum for Socialt Ansvar*)
- > **WISE** Work integration social enterprise

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Executive summary

Background

The origin of “social enterprise” can be traced back both to the mid- to late-1800s farmers’ and workers’ cooperative movements and to the emergence of voluntary associations and non-profit organisations a few decades later. Both the “socialist workers’ movement” and the “*Grundtvigian* movement” have been highly influential in the thinking of both old and new types of social enterprises. Furthermore, these two movements were crucial sources of inspiration in the formation of Danish politics. Even from their most modest beginnings, farmers’ cooperatives were multifaceted in nature, in that sense directly comparable to the hybrid character, and mixed resource base of today’s social enterprises. The cooperatives did not only protect and facilitate the economic interests of farmers, but also catered to their cultural, educational and political interests in order of protecting and enhancing the welfare of the participants’ and their communities. These movements were paralleled by the tradition of charity and voluntarism through the third-sector, religious organisations and volunteer associations helping to further articulate the “social economy” as such. Some organisations were already in the early 20th Century directly comparable to what today is labelled Work Integration Social Enterprises (WISE). In general, the relationship between the public sector and third sector has proven to be relatively collaborative over time. The late 1960s was a particularly influential period in the cultivation of the modern social enterprise, both through the propagation of a new era of social work reforms and evolution of an institutional and universally oriented welfare state and through the emergence of social initiatives more related to new social movements than to the cooperative movements and the traditional third-sector. This helped spark a new wave of social economy composed by local, bottom-up activities.

Concept, legal evolution and fiscal framework

The concept of social enterprise started only to gain public attention and influence after 2000. In 2006, the Danish Parliament decided to fund to centres aimed at capacity building within the area and in 2013 the government established the Committee of Social Enterprises. The mandate was to suggest a law on social enterprise. In June 2014, the Danish Parliament passed the “Act on Registered Social Enterprises”, and as of 2015, it has been possible to register as a social enterprise with Danish Authorities. According to the Act of 2014, social enterprises must meet five criteria: social purpose, significant commercial activity, independence of public authorities, inclusive and responsible governance, and social management of profits. The fiscal framework for social enterprise in Denmark consists partly of rules and benefits that apply only to

organisations that have adopted one of the legal models used by social enterprises, and partly of rules that any organisation that chooses to establish itself as a social enterprise can use. The fiscal framework targeting social enterprise in Denmark differ according to the legal form adopted by the organization. Accordingly, Associations, Foundations and Limited Liability Companies have at their disposal different fiscal frameworks. However, some benefits exist that are catering to all types of enterprises that have registered according to the law irrespective of legal form. Most important fiscal incentive for becoming a Registered Social Enterprise is the benefit from being visible and easy to recognise for potential partners and customers.

Mapping

There is no single database available to determine the exact number of social enterprises in Denmark that would correspond to the EU operational definition. However, when using the Social Enterprise Registration tool and comparing it to other available sources, it can be estimated that, for the year 2018, approximately 411 Danish social enterprises would meet the EU operational definition. Among these, 251 are third-sector-based social enterprises, 96 are market-based social enterprises with an Registered Social Enterprise (RSV) status, and 64 are municipality-based social enterprises, also with a RSV status. A vast majority of these social enterprises are either engaged in work integration activities or active in the broad area of solving social problems. In 2017, a total of 4,932 people were employed (both part-time and full-time) by social enterprises with a RSV status. A total of 3,773 were employed with ordinary contracts, whereas all other were employed in a mix of subsidised employment and early retirement benefits.

Ecosystem

The ecosystem for social enterprise in Denmark has gone through a considerable degree of fluctuation in the decade between 2007 and 2018. The period began with a widely dispersed interest among politicians at both national and municipal level as well as interest organizations becoming aware of social enterprise as a new welfare actor. A number of national mapping projects and capacity building centres were supported by a variety of stakeholders, including politicians at the local and national level. The period of public attention culminated in 2013-2014 with the ambition of building a national ecosystem. At the core of the ecosystem was the establishment of the National Growth Centre for Social Enterprise in 2013, a National Strategy for Social Enterprise published in 2014 and the Registered Social Enterprises (RSV). Whereas the RSV Tool remains, the government closed the Growth Centre by the end of 2015 and the ecosystem has become more fragmented with no targeted public interest at the national level. However, interest in building capacity at local level remains strong and many municipalities as well as interest organization remain active in the area.

Perspectives

Social enterprises in Denmark are mirrors of the dynamic interplay between state, market and civil society that has shaped the particularities of this type of welfare state. Accordingly, social enterprise does not yet exist as a field in its own right with a capacity to exist independent of fluctuations and changes of policies at national and local level. Many civil society organizations maintain an interest in some innovative and entrepreneurial elements of social enterprise without becoming full-fledged social enterprises. In 2018, stakeholders' repeatedly argued that it only takes the implementation of the recommendations from the National Committee on Social Enterprise to establish an efficient ecosystem for social enterprise in Denmark. The policy recommendations forwarded immediately before and after the adoption of the law on social enterprise in 2014 marked the beginning of a new era of action, advocacy and collaboration between social enterprise stakeholders. It served as a legitimisation of a national ecosystem. The collective energy and momentum was short-lived and disrupted by changes of government and policy attention. However, the third sector experience a high degree of innovative capacity and with the longstanding tradition of collaboration between civil society organizations and the public sector, social enterprise has established itself as an institutional partner although at a lower level than anticipated by stakeholders in 2014.



DENMARK

1

BACKGROUND: SOCIAL ENTERPRISE ROOTS AND DRIVERS

A wide spectrum of organisations have contributed to shaping social enterprise in Denmark, both historically and today. Two major roots of and drivers for the evolution of contemporary social enterprise in Denmark can be identified in the early wave of farmers' and workers' cooperatives, which were also the drivers of parties and policies, both at national and local levels of Danish society. These were followed by voluntary associations and third sector organisations, which gradually started to launch projects whose characteristics were similar to those of social enterprise. A variety of social development and experimentation programmes in the 1980s and 1990s were crucial in triggering the new and more targeted phase of social enterprise.



1.1. Historic roots of social enterprise in Denmark

The origins of what is labelled today as “social enterprise” can be traced back both to the mid- to late-1800s farmers’ and workers’ cooperative movement and to the emergence of volunteer associations and non-profit organisations (NPOs) a few decades later. The “socialist workers’ movement” and the “Grundtvigian movement” have been highly influential in the thinking of both old and new types of social enterprises. Furthermore, these two movements were crucial sources of inspiration in the formation of Danish politics. They have had a deep and lasting impact on Danish society in the sense that both the Social Democrats and the Liberal Party of Denmark, two leading political parties since the beginning of the 20th century, are directly affiliated with them. The Social Democrats (*Socialdemokratiet*) founded in 1871 was the leading force of the socialist workers’ movement in Denmark and is still the biggest political party in the country. The Liberal Party of Denmark (*Venstre*), founded in 1870, was closely linked to the farmers’ emancipatory movement, including the trust in cooperatives as an instrument for improvement of livelihood and lifelong learning. **Accordingly, the Grundtvigian movement also has had a direct and lasting impact on Danish politics since the mid-1800s. Politicians from all parts of political life in Denmark tend to quote Nikolaj Frederik Severin Grundtvig on issues of freedom, lifelong learning, enlightenment and popular culture.** Since 1901, one or both of these two parties have been a part of almost all governments in Denmark, and usually with the Prime Minister coming from either the Social Democrats or the Liberal Party of Denmark.

Even from their most modest beginnings, farmers’ cooperatives have always been multifaceted in nature, in that sense directly comparable to the hybrid character, and mixed resource base of today’s social enterprises. The cooperatives did not only protect and facilitate the economic interests of farmers, but also catered to their cultural, educational and political interests. Cooperatives were directly engaged in active social movements: Grundtvigianism, and the Danish Folk High-Schools Movement (*Højskolebevægelsen*). These offered an “integrated world view”, where Folk High Schools served as generators of trust and social capital as preconditions for economic collaboration (Hulgård and Bisballe 2008), defining the initial inclinations of the “social economy” in the Danish context. Yet, the merging of social and economic interests was notably contentious. At the beginning of the 20th century, the Congress of the Social Democratic Party in Denmark proclaimed, “that where conditions are not favourable, it is extremely dangerous to advance down that road” (Hulgård and Bisballe 2008: 6). Accordingly, the priorities of the Workers Cooperative Movement were not seen as an important strategy in the larger workers’ movements as instruments for improving the nation’s living standards and extending the political power base. Improvements were to be achieved through labour unions and influence in the parliament.

Social movements of the 19th Century increased their influence into the 20th century with impact from both liberal and social democratic ideas and gave birth to the Danish welfare state. New public responsibility for welfare incorporated many of the demands of its predecessors, yet included a renewed public provision of social welfare services including health care, childcare, elderly care, and social services for people with special needs.

These movements were paralleled by Denmark's longstanding tradition of voluntarism through the third-sector, religious organisations and volunteer associations helping to further articulate the "social economy" as such. Traditionally, these "old-school" organisations such as Christian Student Settlement (founded in 1911) and *Kofoeds Skole* (founded in 1928) have been oriented in areas of serving groups of socially excluded citizens with work opportunities, education, leisure time, sports, and environmentalist activities, and providing social services in healthcare, childcare and elderly care. The vision of the founder of Kofoeds Skole was directly comparable to what is labeled today Work Integration Social Enterprises (WISE), and *Settlementet* (recent change of name from Christian Student Settlement) began as a vision of socially conscious Christian academics "who wanted to bridge the gigantic social cleavage in the society. They were philanthropists engaged in social work" (Laneth 2011: 8). **In general, the relationship between the public sector and third sector has proven to be relatively collaborative over time, not representing a high degree of public sector control or mediation** (Jakobsen 2001, Kaspersen 2002, Klausen 1995).

1.2. Social enterprise in the universal welfare state

The late 1960s was a particularly influential period in the cultivation of the modern social enterprise, through the propagation of a new era of social work reforms and evolution of an institutional and universally oriented welfare state. By the late 1960s, many social activities previously associated with civil society were adopted by the wider public system. This left many social programmes in the hands of the public sector and "self-owning institutions". Self-owning institution is a legal form often adopted by organisations in the civil society aimed at the provision of social services in the area of education, leisure time and child care. Equally noteworthy in this period was the **emergence of social initiatives independent from cooperative movements, traditional third-sector actors and top-down state political interventions**, in which activists, sometimes inspired by the student movement in the second half of the decade, helped spark a new wave of social economy composed by local, bottom-up activities (Hulgård and Bisballe 2008).

Illustration 1. Kooperationen

A collection of cooperative companies established Kooperationen in 1922. It operates as an employer and interest organisation for cooperative enterprises. This has since developed to include the interests of social enterprises. Kooperationen currently represents 100 cooperative and social enterprises in Denmark and more than 14,000 employees from a range of business fields in the country, from the banking/insurance sector to craftsmen and construction businesses, conference centres and museums. Kooperationen is financed through its member organisations and national and international project work. There are currently 14 paid employees in the organisation.

As the apex organisation for Danish cooperatives, they promote cooperative alternatives across many sectors of the economy, and advocates for these structures in the political sphere. Kooperationen provides professional legal advice and counseling within the areas of employment law, company law and construction law. Furthermore, they offer a high quality of advice around legal matters and issues of government and operation. They are also a primary resource for guiding new cooperative start-ups, as well as supporting established cooperatives and social enterprises. They aim to bring together all those with a passion and interest in cooperative action, for the benefit of their members.

Kooperationen has been a strong, consistent source of information and support for social enterprises for many years, and their role has become ever more critical in negotiating the backlash of dropped national strategies regarding social enterprises in the past five years. Nonetheless, Kooperationen reports the increased professionalism of social enterprises during this period. This growth has required more services in connecting them with appropriate support systems and organisation schemes (specifically, between social enterprises and municipalities) and supporting social enterprises in expanding and sustaining existing projects. Kooperationen is a long-term partner in the development and substance of the social enterprise ecosystem, and stays intimately connected to current issues through their active engagement with its members.

Kooperationen leads through their cooperative values and principles, contributing to developing and integrating Denmark's social enterprise ecosystem. There are few other organisations, which orient their actions within the connective capacities of social enterprises, taking both an overarching and individual view of the organisations working under their principles. Kooperationen works at providing many levels of support—this has recently, for example, revolved around trying to facilitate successful collaborations/partnerships between social enterprises and interested municipalities from both sides of the conversation.

www.kooperationen.dk

In the late 1980s a series of pilot social development programmes highlighting social policy and urban development were promoted as mechanisms for addressing social inequality in Danish society. The term “social entrepreneur” was used for the first time for social activists engaged in promoting social justice and improved livelihood for marginalised citizens and communities (Hulgård 1997). The policy schemes facilitating social innovation gained momentum and served as a primary mechanism for experimentation with what later became known as the “social enterprise” model and the role of the third sector in combating social exclusion and experimenting with new forms of local social cohesion (Hulgård and Bisballe 2008). The most significant of these programmes was the “Social Development Programme”, providing 350 million DKK (approximately 47 million EUR) from 1988-1992. The programme admittedly followed the decentralised tradition of the Danish welfare state with public support to civil society including the Free school and Folk High School model, where public authorities agreed to decentralise social activities by placing public funds in the hands of social practitioners. This spurred the creation of a new generation of social enterprises and third sector organisations fighting social exclusion, legitimising “an experimental turn in social policy” (Hegland 1994, Hulgård 1997, Hegland and Hulgård 1998, Bengtsson and Hulgård 2001, Hulgård and Bisballe 2008).

Furthermore, **many changing welfare policies of the 1990s generated a stronger link between public labour policies and an emerging or embryonic social enterprise model.** The 1994 labour market reform provided more regional freedom and economic flexibility, enabling the implementation of independent regional labour market strategies. In their beginning phases, many social initiatives managed to exercise a great deal of autonomy in their missions and actions. However, **Danish scholars have noted a drop in WISE abilities to self-govern over time, due to their dependency on highly bureaucratic state processes, binding contracts and pressure to focus on work-integration over advocacy** (Hulgård and Bisballe 2008).

1.3. Introducing social enterprise in Denmark

The decades following the late-1990s can be characterised by a critical push for definitions and policies drawing social enterprise into wider public spheres. In 2006 a Centre for Social Entrepreneurship was established at Roskilde University and in 2007 a Centre for Social Enterprise was established by the Danish Cooperative Employers’ Organisation. Both centres were based upon major grants from the Danish Parliament. Following this, a number of initiatives were launched in the late-2000s to support competence and capacity building, as well as policy making within the field of social

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enterprise. The National Strategy for Social Entrepreneurship was launched by the private think tank Mandag Morgen in alliance with several stakeholders in 2010, with the ambition of creating a useable financial and legal structure for the benefit of sustaining organisations, enterprises and initiatives in the social economy. This was strategically launched alongside the wider Danish National Civil Society Strategy released by Danish authorities committed to involving civil society and voluntary organisations more systematically in addressing the needs of socially vulnerable families and individuals.


The existence of the modern-day social enterprise is a fairly new phenomenon, and its deep history with the public sector has acted as both an enormous support and potentially also as an obstacle in creating its own political and social platform as an organisational field. While many organisations at different levels of society have engaged with social and commercial principles, identifying these activities (and having organisations self-identify) as such has been a large focus of the social enterprise sector. Furthermore, funding schemes and philanthropic efforts tend to be oriented toward traditional non-profit associations and third sector contributions, making the social enterprise a confusing form. It was not until 2012 that the Danish government placed social enterprise on the national agenda, with a series of policies toward registering social enterprises and strengthening their ecosystem in various directions. However, as this report will specify, these efforts have been short-lived and placed on a political standstill due to changing political priorities and agendas at the national level.

Summing up, the Danish research team identified two major roots and drivers for the evolution of contemporary social enterprise in Denmark. First, the early wave of cooperatives and third sector organisations were crucial for the development. Secondly, particularly in the wake of the Second World War and closely related to the building of the institutional and universal welfare state, social enterprises were developed closely related to the expansion of the welfare state, particularly at the local level. The social development programmes of the 1980s and 1990s were crucial in triggering this new phase of social enterprise.

2

CONCEPT, LEGAL EVOLUTION AND FISCAL FRAMEWORK

There is a very high degree of consistency between the EU operational definition and the Danish “Act on Registered Social Enterprises” that was adopted by the Danish Parliament in 2014. Both these operational definitions cover entrepreneurial, social and governance-related dimensions. The Danish law is not as specific as the EU operational definition concerning the governance structure: in Denmark, governance is supposed to be “participatory” and “responsible”, whereas the EU definition explicitly mentions the involvement of workers, customers and stakeholders in the management. In Denmark, the three main legal types of social enterprise work partly with different fiscal frameworks, and only few fiscal incentives are available for social enterprises that have been registered according to the law.



2.1. Defining social enterprise borders

2.1.1. The EU operational definition of social enterprise

This report draws on the organisational definition included in the Social Business Initiative (SBI) of 2011. According to the SBI, a social enterprise is an undertaking:

- > whose primary objective is to achieve social impact rather than generating profit for owners and shareholders;
- > which uses its surpluses mainly to achieve these social goals;
- > which is managed in an accountable, transparent and innovative way, in particular by involving workers, customers and stakeholders affected by its business activity.

This definition arranges social enterprise key features along three dimensions:

- > an entrepreneurial dimension,
- > a social dimension,
- > a dimension relative to governance structure.

Provided that the pursuit of explicit social aims is prioritised through economic activities, these three dimensions can be combined in different ways and it is their balanced combination that matters when identifying the boundaries of the social enterprise.

Building upon this definition, a set of operational criteria was identified by the Commission during the previous stages of the Mapping Study (European Commission 2015, 2016) and refined during the current phase of the study (see appendix 1 for further details).

2.1.2. Application of the EU operational definition of social enterprise in Denmark

The current public definition of social enterprise is that proposed by the Committee of Social Enterprises in 2013 and adopted by the Danish Parliament in a law in 2014: “Social enterprises are privately held and through their business and profits, have the purpose of promoting specific social objectives”.

In June 2014, the Danish Parliament passed the “Act on Registered Social Enterprises”. As of 2015, it has been possible to register as a social enterprise with Danish Authorities. According to the Act of 2014, social enterprises must meet the following five criteria to be labelled as social enterprise:

- > **Social purpose** - the enterprise must have a primary purpose that is beneficial to society with a social, cultural, employment-related, health-related or environmental aim.
- > **Significant commercial activity** - The enterprise must sell either goods or services. This activity must constitute a significant element of the revenue generated by the enterprise.
- > **Independence of public authorities** - The public authorities must not have any significant influence on the management or operation of the enterprise.
- > **Inclusive and responsible governance** - The enterprise must involve employees, customers, partners and stakeholders. In addition, the company must be managed responsibly in accordance with the social objectives.
- > **Social management of profits** - The enterprise must spend its profits on social objectives or reinvest the funds. However, a limited share of profits may be distributed as dividends to investors or owners. Profits should be reinvested in the enterprise, invested in other registered social enterprises, donated to charitable organisations or distributed as dividends to owners and investors to a limited extent (Vækstcenter for Socialøkonomiske Virksomheder website 2015).

Table 1. Comparison of European Commission's (2018) and Danish operational definitions of social enterprise (2014)

EU, Operational Definition (EU operational definition), 2018	Denmark: Law on Registered Social Enterprises (LRSE), 25.06.2014
<p>2018: Entrepreneurial dimension: "which uses its surpluses mainly to achieve social goals" (EU operational definition)</p>	<p>2014: Entrepreneurial dimension: "be engaged in trade/commercial activity" (LRSE)</p> <p>Comment: Practically identical. Perhaps with a greater emphasis on the share of income from market sources: "<i>...the enterprise has a significant commercial activity through the sale of services and products, which constitutes a significant part of the enterprise's revenues.</i>"(National Committee on Social Enterprise 2013)</p>

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EU, Operational Definition (EU operational definition), 2018	Denmark: Law on Registered Social Enterprises (LRSE), 25.06.2014
<p>2018: Social dimension: “achieve social impact rather than generating profit for owners and shareholders” (EU operational definition)</p>	<p>2014: “A social aim” (LRSE) Comment: Identical. Perhaps lesser emphasis in 2018 on active citizenship as part of the social aim than that promoted by the National Committee in 2013 leading to the adoption of the law. “...<i>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.</i>” (National Committee on Social Enterprise 2013). “Social management of profit, by re-investing in own enterprise; investing in donations to other social enterprises; donations to organisations with a societal purpose; a limited distribution of profit” (LRSE) Comment: Identical with a reservation. Distribution of profit to owners is limited to 35% of the social enterprise’ result after tax on dividend. To some SE stakeholders, the public constraint on distribution of profit is considered a constraint due to 1. “need of risk for venture capital and profitable income” (Sørensen and Lund 2018: 97) and 2. Lack of interest from SE stakeholders to register due to “limitations of generation and distribution of profit to owners and employees” (Sørensen and Lund 2018: 12).</p>
<p>2018: Governance structure: “managed in an accountable, transparent and innovative way, in particular by involving workers, customers and stakeholders affected by its business activity” (EU operational definition)</p>	<p>2014: “be participatory and responsible in its governance” (LRSE) Comment: Identical. Participatory governance is a core part of the law (LRSE). Governance phenomena such as multi-stakeholder governance, co-production and hybridity are attracting attention with respect to introducing new governance models in the field.</p>

Source: EU operational definition of social enterprise, Danish Law on Registered Social Enterprise (25.06.2018), Sørensen and Lund 2018.

While discussions continue about definitions and qualities of social enterprise amongst stakeholders, there seems to be a broadly accepted and consistent understanding of the concept as acted upon within formal political bodies and policy schemes at national, regional and municipal levels in Denmark. The definition utilised by stakeholders in the field seems by 2018 rooted deeply in the law of 2014 and to a certain extent on the work done by the National Committee on Social Enterprise working between 2013 and 2015. The definition is furthermore strongly correlated with the EU operational definition. Table 1 above compares the EU operational definition and the definition adopted by the Danish Parliament in the law of 2014 (LRSE). For example, both definitions state that social enterprises must pursue an explicit and primary social purpose by engaging in economic activities (trading). Social enterprises should also be independent from the public sector, have limitations regarding the use of profits/surpluses and engaged in enhancing models of participatory governance.

The 2014 definition has been the most commonly used and referenced in Denmark in the years since its release. For example, most municipalities, social enterprises, researchers and other stakeholders interviewed for this study appeared well versed in its principles and components. The definition has also been directly integrated in determining the eligibility of participants in the Registered Social Enterprises (RSV), which has served as the first formal platform for documenting social enterprises. **However, while the RSV has been a useful tool in creating greater awareness around social enterprise, it has also shed light on the difficulties in holding the 260 (as per June, 2018) registered social enterprises accountable to the five required criteria and creating a rewarding and legitimising “social enterprise” label.**

2.2. Legal evolution

The legal evolution towards a legal framework as a part of a comprehensive policy framework for social enterprise in Denmark started in September 2013 with a recommendation report submitted to the Danish Government by the Committee on Social Enterprises. The committee gave five recommendations to the government, and the first of these was the recommendation to adopt a new law particularly targeting social enterprises. The second recommendation was aiming at improving the general knowledge about social enterprise at all levels of society. The third recommendation aimed at strengthening social entrepreneurship and skills development of people and organisations engaged in social enterprise. The fourth recommendation pointed to the need of access to capital for social enterprise, and the fifth to improve the social-responsibility in partnerships and procurement in private enterprise and the public sector. Whereas only the first of the five recommendations directly targeted the necessity of

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adopting a new law, the recommendations formed an integrated framework to foster a national ecosystem for social enterprise in Denmark. Furthermore, at least two of the five recommendations had explicit legal consequences. Accordingly, besides the law, the fifth recommendation on partnerships and procurement also had direct legal consequences. However, whereas the law was successfully adopted less than nine months after the publication of the recommendation report from the Committee on Social Enterprises, the implementation of the rules of public procurement are proving to be more difficult (further on this in section 4.3).

Thus, **the legal framework provided jointly by the Law on Registered Social Enterprises and the EU directive on public procurement did not yet lead to a national ecosystem for social enterprise** due to a combination of several factors. Firstly, the adoption of a law in itself is insufficient to increase the factual role of social enterprise if it lacks the concerted action from other factors such as access to markets, know-how and resources. Secondly, the law was only one recommendation out of five that together could have propelled Denmark to the forefront of the international social enterprise community. **Thirdly, the national policy attention on social enterprise began to decrease just one year after the adoption of the law.** Thus, the new government elected in June 2015 closed both the National Council on Social Enterprise (the national body that followed the National Council) and the National Growth Centre for Social Enterprise. But even before this, the responsibility for social enterprise was moved back and forth between several ministries and national public authorities causing major uncertainty among stakeholders involved in the building of an ecosystem about the level of real policy interest within the major political parties in Denmark. In 2018, the Danish Business Authority within the Ministry of Industry, Business and Financial Affairs manages the national public responsibility for social enterprise. Until the end of 2017, it ran the Dialogue Forum for Societal Responsibility and Growth engaged partially with social enterprises, but mainly concerning the contribution of social enterprises to a growth agenda (<https://erhvervsstyrelsen.dk/dialogforum-samfundsansvar-og-vaekst>). December 14th 2017, the Minister of Industry, Business and Financial Affairs together with the Minister of Employment published a press release that announced that a new national committee on the social responsibility of enterprises would replace the Dialogue Forum. By the end of October 2018, the new committee was not yet established. Finally, the Danish Business Authority houses the RSV Registered Social Enterprises through socialvirksonheder.dk. **What in 2013 began as the evolution of a joint legal and policy framework for the building of a vivid national ecosystem on social enterprise was stopped by a lack of concerted and focussed national policy attention.**

However, together with the Law on Registered Social Enterprise and the EU directive on public procurement (Directive 2014/24/EU), a number of other laws are partly also targeting social enterprise. The National Committee on Social Enterprise published a

small report on “Existing Legislation with a Relevance for Social Enterprises” as a part of the recommendation report in 2013 (Udvalget for socialøkonomiske virksomheder, Appendiks 4 2013). In the report, four types of legal forms are emphasised as being important for social enterprise. Firstly, particularly WISEs can use a number of legally defined support measures in their work with improving the employability of marginalised citizens. These rules lie within the framework of the Ministry of Employment. They consist of a combination of counselling, training, internships, and supported employment. Secondly, there is legislation on sheltered and subsidised employment targeting people with significant disabilities. This body of laws lies within the auspices of the Ministries of Children and Social Affairs. Thirdly, there is complex legal framework for the creation of spin-offs from the public sector. This concerns situations where a project or a service that used to be public (municipal or regional) is separated as a spin-off and organised as an independent organisation. The Committee on Social Enterprise points to social enterprise as a particularly interesting possible method of spin-off. The legislation within this area lies within the complex legal framework governing the regions and municipalities in Denmark and particularly Law 548 that regulates municipalities’ performance of tasks for other public authorities and municipalities’ and regions’ participation in enterprises.

Particularly three legal models (foundations, associations and limited liabilities companies) are dominating the field of social enterprise in Denmark (see section 3). All three legal models allow establishing a social enterprise in accordance with the EU operational model and the RSV registration tool. The Stakeholder Meeting of August 20, 2018 discussed the particular issue of legal forms. **Stakeholders present at the meeting agreed that the three enterprise forms—foundations, associations and limited liability companies—are the main legal forms adopted by social enterprises. The informal Committee on Social Enterprise further approved this at a meeting in September 2018.** The fruitful policies oriented toward local municipalities that have succeeded in providing funding and support to social enterprises over the past few years have not contributed to the creation of an enabling legal framework for social enterprises in the Danish context. On the contrary, the transfer of responsibilities around social enterprises to municipalities without the support of a national ecosystem has possibly contributed to greater discrepancies in knowledge and techniques in supporting social enterprise growth. The experiences at the local and regional level have not been shared and nurtured systematically at a national level. Stakeholder respondents for this mapping project noted the pressing need to solidify this form through a functioning national committee and centre of knowledge, as the structures around creating a useable legal framework have been out of commission for three years.

2.3. Fiscal framework

The fiscal framework for social enterprise in Denmark consists partly of rules and benefits that apply only to organisations that have adopted one of the legal models used by social enterprises, and partly of rules that any organisation that chooses to establish itself as a social enterprise can use. Firstly, it is necessary to look closer at possible fiscal advantages for each of the three sub categories. Secondly, it is necessary to understand that only few fiscal incentives exist for social enterprise. Usually conventional enterprises operating with the same stakeholders and in the same markets as social enterprises can also use these fiscal incentives.

Firstly, concerning the three different legal typologies usually adopted by social enterprise, some differences appear.

- > **Associations** can raise funds through donations. They cannot raise funds by way of equity investment. However, associations can obtain loans from banks or other financiers, and they can enter into joint ventures with other external investment partners. As a main rule, associations are exempt from taxation. Furthermore, there is limited demand for external accountancy (revision).
- > **Foundations** can raise funds through donations. A foundation can obtain loans from banks or other financiers. A foundation can enter into joint ventures with other external investment partners. Foundations can postpone tax payments up to five years if they are distributing donations.
- > **Limited Liability Companies** can be financed by offering equity in the company in return for 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. If a social enterprise chooses this legal model, the articles of the enterprise can include social purposes and provisions which cap the dividends that can be paid to shareholders. There are no particular taxation benefits for social enterprises adopting this model.

Secondly, there are few fiscal exemptions or advantages for social enterprises that are not also granted to conventional enterprises. **Fiscal incentives are mainly indirect in the sense that social enterprises may benefit from being visible and easy to recognise if they are registered with the RSV tool.** The stakeholder meeting gave feedback on the financial and fiscal status of social enterprise. Stakeholders present at the meeting expressed that public agencies do not to a great extent make use of the EU legal framework on socially-responsible public procurement and also that there are no direct fiscal benefits related to being registered with the RSV registration tool. One stakeholder responded that, “I don’t think there are any benefits at all, but if the social enterprise sector is supposed to take social responsibility in times when the public

sector lacks money, it is important that we can fund our tasks". Stakeholders present at the meeting agreed that there is a lack of fiscal benefits both from being registered with the RSV tool and from being a social enterprise in general.

However, there are some fiscal benefits in embryonic forms that could be elaborated into core parts of the fiscal dimension of a social enterprise ecosystem.

- > **Benefits from being a Registered Social Enterprise (the RSV tool):** Being registered with the RSV potentially situates social enterprises in a better market position than conventional enterprises. One municipal stakeholder mentions that they are engaged in building a network of registered social enterprises in various ways. The municipal website highlights the social enterprises and the partnership between the municipality, and the registered social enterprises have a procurement fair where public employees responsible for procurement in the municipality meet with social enterprises to discuss what to look for when purchasing goods and services for the public institutions in the municipality. This is a benefit directly linked to being a registered social enterprise, and it is furthermore an important first step towards a national ecosystem. The stakeholder meeting agreed that the RSV is important but far from enough to drive the incentives of starting and running social enterprises. If taken seriously, it must be accomplished with policies to motivate enterprises and public organizations to use the RSV.
- > **Benefits based upon the legal framework regulating the Social Housing Sector:** An addition in 2015 to the legal framework regulating the social housing sector motivates social housing organisations to collaborate with social enterprises. Usually these organisations cannot rent out commercial premises in the residential buildings below the usual market price. However, with the new regulation, social housing organisations are allowed to rent out their premises to social enterprises or small business entrepreneurs below the price they could get from the conventional market.¹
- > **Benefits from a variety of pilot programmes:** Denmark has a long tradition of innovating the welfare services through a combination of pilot programmes that are specific funding programmes. One such big state run funding programme is the "Satspuljen", targeting projects within the areas of social policy, health and labour market. The aim of "Satspuljen" is to improve the conditions for socially excluded people or people receiving permanent social transfers. Many contemporary social enterprises, also among the registered social enterprises, would never have had success without financial support from either the pilot programmes or the more specific long term funding programmes run by the state. One stakeholder mentioned that his social enterprises might never have reached the degree of

(1) <https://www.bl.dk/media/1024911/Orienteringsskrivelse-til-samtlige-kommuner-og-boligorganisationer-om-aendringer-af-reglerne-om-sideaktiviteter-og-drift-af-almene-b-7800149.pdf>

success and outreach they experience without funding from the “Satspuljen”. This stakeholder further mentioned that it is necessary to distinguish between funding of developmental and innovation activities on the one side and market activities on the other. Whereas support to development activities is necessary, the actual selling of services should be purely market based.

In conclusion, all three legal models of social enterprise are eligible for the benefits described above in the paragraph on benefits for RSV types of social enterprises. It is difficult for social enterprises to raise financial capital due to the lack of regulated fiscal benefits for activities that are not motivated by providing a return on investment. There is 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 direct fiscal incentives for major mainstream enterprises to incorporate social enterprises in their supply chains.

3

MAPPING

There is no single database available to determine the exact number of social enterprises in Denmark that would correspond to the EU operational definition. However, according to an analysis of available data using the Registered Social Enterprises and comparing it to other available sources, it can be estimated that, for the year 2018, approximately 411 Danish social enterprises would meet the EU operational definition. 251 of these are third-sector-based social enterprises, 96 are market-based social enterprises with an RSV status, and 64 are municipality-based social enterprises, also with an RSV status. A vast majority of these are either engaged in work integration activities or active in the broad area of solving social problems.



3.1. Measuring social enterprises

The universe of *de facto* social enterprises in Denmark is difficult to capture in a rigorous way. There has been no comprehensive attempt at a national mapping that corresponds with the EU operational definition since the one performed by the National Committee on Social Enterprise in 2013.

Whereas there is correspondence between the RSV and LRSE definition of social enterprise and the EU operational definition, some stakeholders do not find their work reflected in the official definition. Accordingly, there is some dissonance between definitions that function on the official level, most notably the RSV registration tools, and the ways in which the term is understood and adopted by some practitioners and researchers within the field.

According to the RSV registration tool, there are 260 (June 2018) listed social enterprises currently active in the Danish context. Furthermore, the dominating legal forms are associations, foundations and limited liability companies. The 260 social enterprises identified themselves under nine branches of focus: Social, Health and/or Employment (67), Food, Catering and Restaurants (20), Consulting Services (17), Design and Handicraft (13), Environment and Re-Use (12), Experiences and Entertainment (12), Services (Cleaning, Gardening, etc.) (11), IT, Web, Communication and Marketing (9), and In-house Benefits / Financial benefits (2) (RSV database, June 2018). It is not possible to distribute the legal form of social enterprise to thematic objective in the sense of concluding that social enterprises in, for instance, the associational form are more engaged in some thematic areas than in others.

Similar data can be extracted from the VIRK² database. Table 2 depicts the distribution of social enterprise in VIRK—a public database on enterprises in Denmark. Of the **282 social enterprises registered in the VIRK database**, 123 are associations, 90 are limited liability companies, 46 are foundations, and 23 are registered under the category of “other enterprise forms”. Some of the 23 social enterprises are projects under other existing organisations but are estimated to be related mainly to foundations and associations, making associations the absolutely dominating legal form of social enterprise in Denmark.

(2) VIRK is a public web portal initiated and hosted by business-oriented public authorities in Denmark. The web portal is organised in three separate domains. One is a domain for all enterprises' access to public authorities. Here enterprises can provide various types of information to the public authorities. The second domain is “VIRK Data” which is where the public can access data on Danish enterprises. The data generated for this report originate from VIRK Data. The third domain is “VIRK Startvækst” (Startgrowth), which aims to strengthen start-ups and new entrepreneurs with tools and information.

Table 2. Enterprises registered as social enterprises in the VIRK database by legal form

Organisational form	Number	Percentage
Association	123	43.6%
Foundation	46	16.3%
Limited Liability Companies	90	31.9%
Other enterprise forms	23	8.2%

Source: Data extracted on 30 October 2018 from datacvr.virk.dk

However, both RSV and VIRK data provide a partial picture of social enterprises in Denmark. As pointed out by the stakeholders participating in the stakeholder meeting, not all social enterprises that comply with the RSV tool and EU Operational Definition are registered in either RSV or VIRK. For the RSV register to be a valid tool, it would require that more social enterprises use the register. However, due to responses from the stakeholder survey and the stakeholder meeting, many *de facto* social enterprises may hold back from registering based upon the perception that it may not be attractive enough for social enterprises to actually register, since there are no financial incentives directly linked to a registration.

Drawing from Sørensen and Lund (2018), there are also a variety of reasons given for a hesitance to register among Danish social enterprises. Thus, “the results indicate a relatively high agreement with the view that the registration does not give access to any advantages at the municipal level” (Sørensen and Lund, 2018: 77). Additionally, it seems that some third sector organisations tend to disassociate with the term “social enterprise”, not seeing it as useful mechanism for funding or organising. This allows the term to be persistently associated with work integration projects related to active labour market policies promoted in the 1990- early 2000s, not accounting for the dynamic and diverse forms of social enterprise actually being carried out in the Danish context.

Stakeholders in our study also directed attention to the changing language of “social” in traditional businesses, allowing for the opening of future collaborations between private enterprises, foundations and social enterprises, as well as enhancing public tenders for supporting such collaboration. There are no obvious legal and regulatory barriers preventing social enterprises from developing relations with mainstream enterprises and private foundations. However, with ambitions to transition from a dependency on the public sector to a renewed support system in partnerships with private enterprises and foundations, third sector organisations risk replacing one restraining isomorphic

force with another. When turning to catalytic philanthropy, many larger private and corporate foundations require influence on the governance of the social enterprises and third sector organisations. From the side of foundations, these relationships are interpreted as partnerships, whereas the situation is more complex from the perspective of social enterprises and third sector actors.

To overcome the limitations of public data, it might be interesting to look at the **mapping produced by Sørensen and Lund (2017) that identified 637 operating “social enterprises” in Denmark** (estimate from 01.06.2017) based not on a strict social enterprise definition but targeting “enterprises with notable features of social economy” including also conventional enterprises with a particularly strong Corporate Social Responsibility (CSR) profile.

Although many social enterprises identified do not fully comply with the EU operational definition, the study represents the largest recent systematic mapping of the social enterprise universe in Denmark. Moreover, Sørensen and Lund (2018) have identified three types of social enterprises that to some extent differ both from the EU operational definition and from the models highlighted in table 2.1.2 above: 1. Social enterprises based in associations and the third sector; 2. Market based social enterprises aiming at being socially responsible; 3. Social enterprises based in municipalities and a mix of earned income and public subsidy.

The first group of social enterprises identified by Sørensen and Lund (2018) derives from the third-sector, run on non-profit terms. This type of social enterprise is fully in line with the EU operational definition. In total, 251 of the 637 “social enterprises” listed in this study are classified under the first grouping “Enterprises deriving from the third-sector”. These organisations have been initiated by civil society organisations and have typically been set up to support or employ particular target groups—most commonly the elderly, disabled people, homeless or former drug-users—under explicit social missions. Often these efforts are funded by public grants and backed by unpaid volunteers and contributing members. Finally, only 13% of 251 social enterprises identified as originating in the third sector are estimated to be Work Integration Social Enterprises. Furthermore, only 34% of the 251 identified in this category have assumed RSV status (Sørensen and Lund 2018).

- > **Market-based enterprises**, which profile themselves as socially responsible. This type of social enterprise, which is distinguished by an extraordinarily strong CSR profile and is included in the Sørensen and Lund report, is not per se consistent with the EU operational definition. However, some organisations in this category do fit with the operational definition, and 96 of the 256 enterprises in this category have registered with the RSV that is very similar to the EU operational definition. According to this particular study, 256 of the 637 social enterprises can be classified under market-based companies that purposely combine “the social”

with commercial business. Some of them are classified as sole proprietors, and therefore cannot technically be registered under the RSV classification scheme, nor under the European Commission operational definition. Others comply with the current definition, yet fear being labelled as a “sheltered workshop”. This concern, mixed with a general uncertainty around the RSV and its usefulness, legal implications and benefits has led to an extremely low rate of RSV registry in this group: 96 of the 256 have received RSV status (Sørensen and Lund 2018).

- > **Municipality-based enterprises**, driven by a resource mix of income based on public subsidies, private investment and market-based income. In general, this type of social enterprises counts as being part of the EU operational definition. It is important to emphasise that this type of social enterprise operates in the municipalities, it is not owned by the municipalities, although municipalities often keep a close connection by involvement in the multi-stakeholder governance. This duality is reflected in the fact that half of the identified social enterprises in this category have registered with the RSV tool. The driver for this group of social enterprises is the decentralised character of the Danish welfare system with almost all social service delivery taking place at the local and municipal level. The decentralisation of welfare services to the municipal level, as well as revenue-driven initiatives instigated by local authorities with cultural, environmental and job-training social objectives have been important drivers of new hybrid social enterprise based upon resource mix. Similar to the first group of social enterprises, these tend to rely on a mixture of public and private funding. The only way they differ from the former group is that they have a particularly strong root in municipalities and often with municipalities playing an active role in their multi-stakeholder governance. Here, Sørensen and Lund (2018), have estimated that 130 out of the 637 organisations can be classified as “Municipality-based social enterprises”, 49% of which are registered RSVs, 60% of which carry out work training for socially disadvantaged through municipal contracts (Sørensen and Lund, 2018: 46-47).

Based on the Sørensen and Lund report, it is possible to estimate that the 251 third sector based social enterprises, the 96 market based social enterprises with an RSV status, and the 64 municipality-based social enterprises with an RSV status meet with the EU operational definition. Therefore, there is a total of 411 Danish social enterprises as of 2018.

As for employment, there is a lack of reliable data on the number of people employed by social enterprises in Denmark. The most updated data refer to November 2017 when, according to The Danish Business Authority, 4,932 people were employed (both part-time and full-time) by the 246 social enterprises registered with the RSV tool. This is the total number of employees, both part time and full time. Of the 4,932 persons,

3,773 were employed in ordinary contracts, whereas all other were employed in a mix subsidised employment and early retirement benefits (Dialogforum for Samfundsansvar og Vækst 2017). The difference between 246 RSV based social enterprises in November 2017 and 260 in June 2018 depicts a quite important growth in numbers within a very limited period.

Illustration 1. Glad Foundation (*Glad Fonden*)

Glad Fonden (GF) was founded in 1999 as the world's first TV station created for and with intellectually disabled persons. GF is a registered social enterprise with activities in the media, kitchen and café business, education and employment, design and culture. GF is a growth-focused social enterprise that educates and recruits people with and without learning disabilities to produce services, products, cultural experiences and content for different media of a quality that can compete on market conditions. GF is an erhvervsdrivende fond (commercial foundation) and has 290 people employed through their services and 65 students in their active vocational school. They do not rely on any volunteers for carrying out their work. They are geographically dispersed around the country, with local departments in Copenhagen, Ringsted, Kolding, Vejen, Esbjerg and Aabenraa.

GF works closely with municipalities, public, and private enterprises to secure its programs and services. The organization is an example of a social enterprise with a strong, sustainable commercial business model, targeted toward both public and private sectors in Denmark. They also receive funding in the form of public and private donations.

GF reports that they have had continued growth and development over the past five years. They have entered new business areas and have been successful in these revitalized efforts.

GF is one of the first social enterprises in Denmark and has built up a strong reputation around its projects and efforts. Its fiscal and social sustainability have been recognised by many different stakeholders and actors, which allows it to continue its work through many different political climates and shifting attitudes toward social enterprise in the national context. Activities are developed alongside its target group, which has also proved to be an enormous strength in developing relevant and sustainable programming for the business and its identity. They are also geographically diverse and handle in many different types and areas of activities (TV, cooking, design, education, business training, zoo internships, theatre).

www.gladfonden.dk

Illustration 2. Social Entrepreneurs in Denmark (*Sociale Entreprenører i Danmark*)

Social Entrepreneurs in Denmark (SED) is an association established in 2010 by a group of social entrepreneurs and social enterprises and advocates. Its work is carried out, mainly, through the work of the chairperson Per Bach and 10 dedicated volunteer members. The association now has 120 members who identify as social entrepreneurs, and 40 social enterprises collaborating directly with their efforts and activities. There are also students, municipalities, organisations and foundations included in their membership. The association works closely with many different levels of the social enterprise ecosystem, including interest organisations, municipalities, higher education and social enterprises working between these organisations in connecting the ecosystem as a whole. They aim to maintain dialogue and connectivity between social entrepreneurs, social enterprises and municipalities in Denmark, attempting to compensate for the lack of a national strategy. The association is funded through income generated by memberships, presentations, consultancy fees and small grants from Kulturstyrelsen (a public agency) and through supportive EU grants through projects conducted with peer organisations from other Nordic and European countries.

SED is mainly concerned with collection and distribution of knowledge about social enterprises through their website, newsletters and social media campaigns. They also organise network meetings, thematic events concerning social enterprises, study trips, workshops and trainings. SED also carries out projects around Denmark and internationally to spread awareness about the Danish model and trouble-shoot with an international perspective. They provide direct support for social entrepreneurs for building their competencies, capacities and start-up processes. Their newsletter encourages a diversity of stakeholders in the field to share news, events, job propositions etc. SED's social media platforms are open for all actors in the field to share news, events and job propositions. SED also has the largest overview of social enterprises in Denmark, for an eased navigation of the field—a list of 330 engaged organisations. The website also provides a comprehensive listing of policies and specific municipality-level strategies directed toward social enterprises. SED has a large range of events for social entrepreneurs all over Denmark, trying to spread out resources and understanding beyond the city of Copenhagen.

The lack of consistency of government initiatives has left a great deal of insecurity in the field. After two nationally supported centers focusing on social enterprises were closed during the last five years, there has been little formal organisation of the field, and few organisations which work for the field as a whole. Social Entrepreneurs in Denmark try to give organisations and individuals insight into the wider picture of social enterprise as a life world and attempt to supplement the lack of connection and action between individual social enterprises and the people, state actors and networks around

them. The association also aims to widen the scope of understanding around social enterprises in the country. They claim that politicians, and the field more widely, are very focused on them as means for job creation for socially marginalised individuals, yet SED has a much wider understanding of this sector which it hopes to share to help develop a sustainable social enterprise sector.

SED is one of the few organisations that actively works to gather and engage the entire social enterprise ecosystem in Denmark. It has a very broad understanding of the concept of social enterprise and focuses on the UN Social Development Goals as a larger framework for working with social enterprises. SED is also one of the few organisations in Denmark that, not only shares organisations' internal news, but also shares news about the social enterprise sector at the national and international level. The large network of both practitioners (social entrepreneurs/social enterprises), support organisations, municipalities and institutions within education in Denmark, as well as a large international network, makes it a critical actor in facilitating open communication between these bodies.

www.socialeentreprenorer.dk

3.2. Social enterprise characteristics

When addressing the geographical and thematic distribution of social enterprises in Denmark, the RSV database is the most reliable source although it is 'only' based upon the 260 enterprises that have registered as of June 2018. Accordingly, it is fair to assume that all Registered Social Enterprises (RSV) conform to the EU operational definition, and thus provide an important insight into the distribution and objectives of social enterprises in Denmark.

In considering geographical distributions, the existing RSV Registry has provided relatively current statistics on the subject. While social enterprises are slightly more concentrated in the Copenhagen municipality, there are also many social enterprises operating in suburban and rural centres around the country. Judging from the RSV registry: the Capital (Copenhagen municipality) currently has 25 registered social enterprises, Mid-Jylland has 24, North Jylland 15, Southern Denmark 10, Sjælland five, and seven social enterprises operate nation-wide (Vækstcenter for Socialøkonomiske Virksomheder 2015).

Table 3 produced by the National Committee on social enterprise depicts the thematic distribution of social enterprises in 2013, and table 4 depicts the distribution of thematic objectives 2018.

Table 3. Thematic objectives of Danish social enterprises, 2013

Thematic objectives	Percentage
Employment and labour market objective	43.6%
Cultural objective	16.3%
Environmental objective	31.9%
Social objective	8.2%
Health and wellbeing objective	13%

Source: Anbefalingsrapport fra Udvalget for socialøkonomiske virksomheder (Recommendation report from the Committee on Social Enterprise)

Whereas the policy discourse on social enterprise in the years between 2013 and 2018 has targeted Work Integrated Social Enterprise as the primary objective of policy frameworks and elements of a national ecosystem, in reality there is a diversified field of social enterprise in Denmark. Whereas almost 80% of thematic objectives were on employment and social issues in 2013, this was only the case in 57% of the cases in 2018. The most significant change of thematic objective is the one concerning environmental objectives that has grown from 6% in 2013 to 29% in 2018. This reflects that social enterprises are in line with severe societal problems that the dominant and traditional organisations and policies have not yet been able to address in any sufficient way. **Accordingly, there is a great potential and results to harvest for policies that would motivate the formation of social enterprises in the area of severe societal challenges such as climate change and health promotion.**

Table 4. Enterprises registered as social enterprises in the VIRK database by legal form

Thematic objectives	Number	Percentage
Employment of socially excluded	58	27.8%
Solving social problems	62	29.8%
Environmental objective	29	13.9%
Health	30	14.5%
Culture	29	13.9%
All	208*	99.9%

* Social enterprises of the 262 in the RSV registration base have self-identified their primary objectives.

Source: Social enterprises of the 262 in the RSV registration base have self-identified their primary objectives.³

It is essential to note that **many social enterprises overlap in their missions and activities**; however, the numbers can give us an estimation of their current areas of focus. While many social enterprises are still focused on issues of employment (WISE), the RSV has been able to shed light on the existence of many other social enterprise types, who self-identify with entirely different activity channels. There is a strong presence of organisations working with food, environment and entertainment, which were previously overlooked as prominent areas of social enterprise activity. There are also variations in how social enterprises identify themselves through their social missions on the RSV registration tool. While previous studies, as indicated in table 3, show a strong identification with employment and labour objectives, in 2018 the actual distribution of objectives and activities are more diversified. Following this, it is a pity if the full potential of social enterprises is neither recognised nor utilised if policies and ecosystems are in reality restricted to the area of WISE. As depicted in table 4, there are currently **only 58 social enterprises on the RSV with a primary objective of employment and labour of socially marginalised groups; 62 social enterprises are associated with a broader mission of solving social problems**. There were 29 social enterprises, which had environmental objectives, 30 within health and 29 with social missions relating to culture. The RSV has managed to widen the spectrum of understanding around how social enterprises would like to represent themselves in their work. It seems missions around employment are often considered secondary to other social goals.

(3) <http://socialvirksomhed.dk/registrering/registrerede-socialokonomiske-virksomheder-i-danmark>

Table 5 depicts social enterprise by sector in 2013. The table draws a picture of the domains of interventions and is based upon a survey undertaken by the Committee on Social Enterprises in 2013. The table reveals that health and social services account for 40.6% of enterprises and 60.1% of FTEs (Full Time Equivalents). There is no reason to believe that this picture has changed dramatically between 2013 and 2018. 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%), education (5%), information and communication (4.6%), retail (4.6%), agriculture, fisheries and transport (3.2%) and finance, insurance and real estate (3.2%). In terms of employment, the main activities are in relation to agriculture, fisheries and transport (9.2%), information and communication (5.9%), education (5.5%) and finance, insurance and real estate (5.1%). 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 (see table 5, “Social enterprises by sector, 2013”) 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 sectors. As such, the estimates provided in table 5 from a report provided by the Committee on Social Enterprises may underestimate the proportion of social enterprises that are active in certain sectors, including, for example, hotels and restaurants and retail. Social enterprises can be distinguished on the basis of how they interact with their target groups, i.e. whether they work for or with them. 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 enterprise 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 activities and social objectives account for a considerable proportion of social enterprises, with each accounting for 39% with a total of 78% of the entire *de facto* social enterprise universe in 2014. While the information on Table 5 represents numbers of social enterprises by sector in 2013, it can still provide insight into relative distributions of social enterprise activity. Thus, when comparing the distribution of social enterprises in various sectors, health and social services is also the sector with most social enterprises in 2018.

Table 5. Social enterprises by sector, 2013

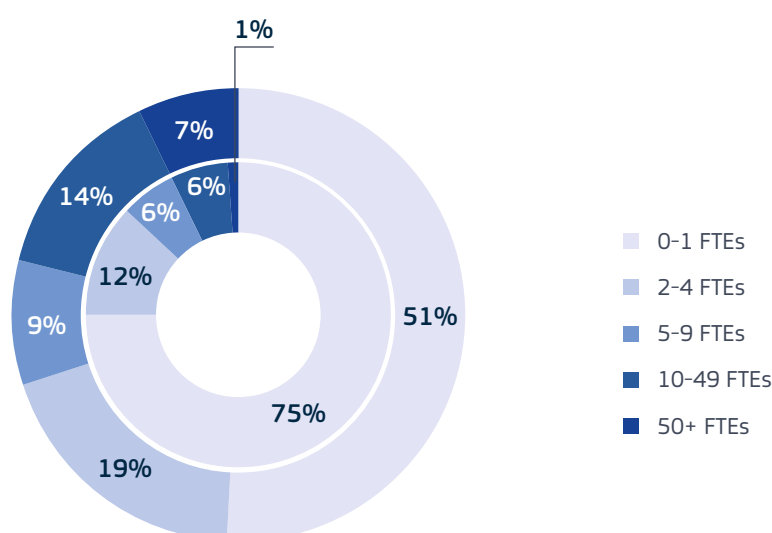
Sector	Number of enterprises	Share of enterprises (%)	Number of FTEs	Share of FTEs
Health and social services, including associations and foundations with social and charitable objectives (Q) ⁸	114	40.6	2,094	60.1
Other service activities, including organisations and associations	70	24.9	346	9.9
Research (M)	18	6.4	14	0.4
Education (P)	14	5.0	191	5.5
Information and communications (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 state, 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	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.

As for employment, whilst social enterprises account for a small share of total employment in Denmark, they are important in terms of (re-)integrating vulnerable groups in the labour market. Particularly WISEs are aimed at provision of work either through re-integration or through provision of jobs on a more permanent basis. For example, a study of Work Integration Social Enterprises from 2013 found that 31% of the surveyed WISEs employed individuals with a physical disability, whilst 40% of enterprises employed individuals with a mental disability. Furthermore, 26% of WISEs identified by this study employ individuals that are or have been homeless, or suffering from alcoholism or other types of addiction or prostitution (Thuesen *et al.* 2013: 23). In terms of enterprise size and capacity for employment, this study found that 83.5% of **WISEs are micro-enterprises with less than 16 full-time employees on ordinary contracts** (Thuesen *et al.* 2013).

Many social enterprises remain closely connected to the volunteer sector and thus often receive assistance from volunteers. Indeed, the SFI survey of WISEs suggests that around 60% 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. Reflecting the relatively low levels of employment associated with social enterprises, a significant proportion of social enterprises represents micro enterprises with less than 10 FTEs, as illustrated in figure 1 below (social enterprises represented by the outer ring, and all enterprises in the Danish economy represented by the inner ring). The number of social enterprises with less than 10 FTEs is significantly higher than for the business population as a whole. A total of 79% of all Danish social enterprises belong to the group of so-called micro-enterprises with less than 10 FTEs. Moreover, 7% of all social enterprises have more than 50 FTEs and thus belong to the category of medium sized or large enterprises (Udvalget for socialøkonomiske virksomheder 2013: 17).

Figure 1. Social enterprises (outer ring) and all enterprises (inner ring) by employment size



Source: Anbefalingsrapport fra udvalget for socialøkonomiske virksomheder, 2013.

Similarly, the SFI survey (Thuesen *et al.* 2013) found that WISEs employ on average 19 people (not FTEs), of which five, on average, are employed with special conditions (e.g. through the disabled employment program, “*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 approximately 7 FTEs for NPOs with commercial activities and supported enterprises with social purpose.

4

ECOSYSTEM

The ecosystem for social enterprises in Denmark has undergone quite dramatic fluctuations. In a first phase (between 2007 and 2013), an ecosystem started to emerge, with an increase in both widespread societal interest in social enterprise and an emerging policy interest, expressed by national and local policy makers and public institutions. The second phase (between 2013 and 2015) was a period of institutionalisation, which resulted in (and ended with) the adoption of the Act on Registered Social Enterprises and the establishment of the National Growth Centre for Social Enterprise, both initiated by the government. The third phase (between 2015 and 2018) is marked by lesser national policy interest in social enterprise but also by an ongoing local interest, expressed by municipalities, interest organisations and a variety of stakeholders at regional and local levels of Danish society.



In the decade between 2007 and 2018, the evolution of social enterprise in Denmark went through a considerable degree of fluctuation. Whereas important steps towards building an ambitious national ecosystem were introduced during the first part of the period, particularly between 2010 and 2015, the period after 2015 is distinguished by a decrease in national attention from public stakeholders. However, the lack of targeted interest from the national public policy has not yet led to a similar lack of interest either in the actual formation of social enterprise or in the interest promoted by local governance structures and interest organisations. **Rather than saying that the Danish interest in social enterprises has decreased, it may be fairer to claim that attention has been decentralised to municipal agencies and diffused to informal and sub-national interest organisations, stakeholders and networks.**

4.1. The phase of an emerging ecosystem and policy interest: 2007–2013

In the phase of 2007 to 2013, social enterprise started to consolidate as a new field of policy attention and the country rapidly moved towards the establishment of an ambitious ecosystem. Particularly municipalities began to collaborate with people and organisations that self-identified as social entrepreneurs and social enterprises. Accordingly, a number of municipalities adopted strategic programmes for collaboration with organisations in the social enterprise field. **In 2012, Århus, the second largest town in Denmark, the department for employment adopted a Strategy and action plan for collaboration with social entrepreneurs and social enterprises in Århus (*Strategi- og handlingsplan for fremme af social- økonomiske iværksættere og virksomheder i Aarhus*).** This period was marked by a gradual development of a national ecosystem, although still only at an embryonic stage. Activities launched by the two centres funded by the Danish Parliament (CSE and CSØ) were followed by a gradual attention towards the new field of activity by municipalities and such agencies as Mandag Morgen, a national social-liberal think tank with an impact on national, regional and local policy making, and by the gradual establishment of interest organisations targeting social enterprise. Thus, in 2011 both ***Dansk Erhverv* and *Kooperationen* started organising self-identified social enterprises.** Support provided by these organisations include legal aid, policy making and to some extent training and capacity building. In 2010 a national conference gained wide national attention when 400 participants engaged in dialogue at Roskilde University where two government ministers and the crown princess spoke. The event was a joint venture between CSE, CSØ, Mandag Morgen, the Global Entrepreneurship Monitor (GEM) and

University of Southern Denmark. **In 2012, the bottom-up formed alliance *Sociale Entrepreneører I Danmark (SED)* was formed**, first as an alumni association for graduates from the Master of *Socialt Entreprenørskab* (MSE) programme at Roskilde University and later broadened to include all people and organisations with a particular interest in the area. With little financial funding and a high degree of social capital, SED is engaged in local, national and international development in the area on a continuous basis.

4.2. The phase of institutionalisation and growth in public interest: 2013-2015

In terms of policy change, the period since 2013 has been dramatic. It began with a formal initialisation and institutionalisation of a national support system for social enterprise with the expectations from stakeholders to move towards an ambitious ecosystem for social enterprise, but it ended with a lesser interest from national public policy in the area as such. In 2013, social enterprise appeared in the National Budget with a decision to establish a fast-working committee that should both draft a national ecosystem and propose a law for the benefit of social enterprise. Accordingly, several concerted actions were taken in the period of 2013-2014. These included:

- > Establishment of a National Growth Centre for Social Enterprise (*Vækstcenter*) in 2013.
- > The Law on registered social enterprises (*lov om registrerede socialøkonomiske virksomheder*) was adopted by the Parliament in June 2014.
- > The National Council for Social Enterprise (*Rådet for socialøkonomiske virksomheder*) was appointed by the government in 2014 to underpin the development of a national Danish ecosystem for social enterprise (*Støtte op om indsatsen for socialøkonomiske virksomheder og fungere som sparringspartner i forhold til Vækstcentret for socialøkonomiske virksomheders aktiviteter*).

4.3. The phase of decline of national public policy interest: 2015-2018

In 2018, only the law remains as a significant national instrument for the formation of social enterprises. **The government terminated both the National Growth Centre and the National Council on Social Enterprise by the end of 2015.** After the

2015 national election, the government led by the Social democrats that introduced the Centre, the Committee and the Law was replaced by a government led by Venstre, the Liberal Party of Denmark. It is not possible to say that there is a direct link between the cancellation of the ecosystem stepping-stones and the change of government from a Centre-Left alliance to a Centre-Right alliance following the election in 2015. However, in the period after the change of national government, public attention on social enterprise was transferred from the National Committee on Social Enterprise to the Danish Business Authority and the semi-formal body of the Dialogue forum on Social Responsibility and Growth (*Dialogforum for Samfundsansvar og Vækst*), which covered partially CSR and partially social enterprises. This body was terminated by the end of 2017 and the entire area has been in limbo throughout 2018, waiting for a reorientation of the national policy framework that has been announced to come, but not yet displayed or implemented as of September 2018.

Accordingly, one of **the most significant and lasting outcomes of the policy attention between 2013 and 2018 was the procedure to become a registered social enterprise (a kind of social enterprise mark)**. From the perspective of an ecosystem, in 2018 the areas of social enterprise and social entrepreneurship in Denmark have been left in a kind of vacuum. Both social entrepreneurship and social enterprise are embraced by politicians, policy makers and interest organisations but with a lack of particular follow-up measures concerning programmes for training, funding and collaboration since the Law on Registration of Social Enterprise was adopted by the parliament in June 2014. Nevertheless, research undertaken for this mapping study, supplemented by the research of Sørensen and Lund (2018), as well as evidence from the RSV count, documents that the situation is that of a diversified and active contribution of social enterprise to the generation of welfare services and work integration. Table 6 includes a non-exhaustive list of key actors in the social enterprise ecosystem in Denmark.

When established in 2014, registration was meant to be part of an ecosystem targeting the social enterprise field. Irrespective of the failure to strategically move towards a national ecosystem, the platform/registration mark provides a possibility for municipalities and other agencies to be sure that the social enterprises that they intend to collaborate with live up to certain standards as identified in the Law of June 2014. In 2018, there is no institutional support structure related to the platform: lack of public policy advice concerning requirements for becoming a social enterprise; lack of learning, training and scaling activities, since the platform is a “bare” possibility of becoming registered. To a lesser degree, **the structural hole left when the government withdrew from continuing to build an ecosystem has been occupied by a mix of municipalities, of which several have started to develop their own small-scale ecosystems and by interest organisations**. Among these interest organisations we find institutions such as The Social Capital Foundation, The Danish Chamber of

Commerce, The Danish Cooperative Employers' Organisation, Social Entrepreneurs in Denmark (SED), and as of April 2018 the new Centre for Social Economy established by Grennessminde, a large-scale social enterprise in Greater Copenhagen.

Illustration 3. Grennessminde

Grennessminde is a foundation established in 1984 with the mission of supporting the creation of work and educational opportunities for unemployed young people with special needs 16-30 years of age, specifically those with cognitive challenges. The foundation has created a variety of social enterprises, which focus on inclusion and learning. Their social enterprises have a focus on economic growth, yet also provide support, space, education and qualifications to young people with special needs in order to help them live active and contributory lives. Grennessminde has worked with over 780 young people since the 1980s and continues to innovate and diversify their programmes and work spaces. Their fields of activity are diverse and move between Taastrup, Glostrup, Roskilde and Copenhagen municipalities. These range from horticulture projects, bakeries, cafes, catering, event coordination, and running “The Copenhagen Dome”, a social economy education and conference centre. Grennessminde also houses opportunities for trade-focused education (blacksmithing, carpentry etc.). They currently employ 120 individuals with no volunteer force, with their main income stemming from STU (public funding for cognitively challenged young people), job training (public-funding), income-generating projects (organic vegetables, plants, bread, catering and cafe proceeds), and sought out foundational support. Grennessminde is registered under the RSV registration tool as an official social enterprise.

Grennessminde works at large-scale, attempting to create a socially and environmentally sustainable economy through selling services and high quality goods. They have mainly focused on selling these services to municipality bodies, but also the general public through active social enterprises. Furthermore, they help bridge their beneficiaries to work opportunities in private enterprises through “enterprise consultants”, leaving them with fairly high transition rates. “The Copenhagen Dome” has also been created with the objective of helping to bridge organisations, governmental bodies and businesses promoting social and environmental sustainability. They have also relied heavily on attaining trademarks, which legitimise their products, for example, Organic Certification for their catering, bread and vegetables. As a registered RSV social enterprise, they have an expressed interest in strengthening this brand, its benefits and potential at the national and municipal level.

In the past five years, the organisation has had difficulties navigating the changes in national legislation. This has trickled down to the municipal level, where they have

experienced a great deal of uncertainty about how/where they can support, cooperate and create partnerships. However, the organisation also reports having an increased number of municipalities interested in working with social enterprises, which has allowed them to take on new counseling/consultation roles in facilitating these collaborations.

Grennesminde has a long history of working with social enterprises in a variety of geographical and thematic areas. They also have an interest in creating quality products: “people should choose us because we are the best, not just because we’re social”. Their focus on environmental sustainability has proved to be a very timely endeavor. They have also capitalised on the holes in Denmark’s social enterprise ecosystem—taking on consulting roles with municipality bodies and also in creating a social economy conference, events and knowledge centre: “The Copenhagen Dome”, both demonstrating social-environmental sustainability in action, and housing efforts connected to its growth.

www.gminde.dk

4.4. Key Actors

Table 6 includes a sample of some of the most important key actors in the social enterprise ecosystem in Denmark between 2014 and 2018.

Table 16. Key actors in the social enterprise ecosystem in Denmark, 2014-2018

Category	Actor
Governmental departments/ institutions designing or implementing policy, support instruments and measures for social enterprises and infrastructures	<ul style="list-style-type: none"> > National Centre for Social Enterprises (closed end of 2015) > Counsel on Social Enterprises (closed end 2015) > New Counsel-merger of Virksomhedforum for Socialt Ansvar (VFSA) go Dialogforum for Samfundsansvar of Vækst (not implemented by September 2018) > National Board of Social Services > Ministry of Business and Growth > Ministry of Employment > The Danish Agency for Labour Market and Recruitment > The Danish Business Agency > Danish Municipalities (at least 14 active Municipality strategies on SE)

Category	Actor
Customers – authorities contracting social enterprises	<ul style="list-style-type: none"> > Municipalities > National Ministries > Private sector
Organisations promoting, certifying and awarding social business labels	<ul style="list-style-type: none"> > The RSV Registration Tool > A number of awards have been provided by different organisations in the period between 2013 and 2018. Among the more significant ones to remain is “The Municipal Social Enterprise Award” provided by three major Danish social enterprises all working both locally and nationally. The Prize is awarded annually to a specific municipality that has displayed abilities to collaborate with local communities and courage to experiment and innovating social economy in a local context as well as being directly involved in developing a good framework for social enterprises and for establishing partnerships with social enterprises. The award has been distributed four times, and is considered an important prize by the award winning municipalities.
Institutions, civil society initiatives or other social enterprises promoting social entrepreneurship education and training, and presenting role models	<ul style="list-style-type: none"> > Centre for Social Entrepreneurship, Roskilde University (CSE) > Copenhagen Business School, Social Entrepreneurship and Social Innovation Research Group (S-ENT) > University College Lillebaelt, Social Entrepreneurship > Aarhus University > VIA University College, Design for Change, Social Entrepreneurship > USCSYD, Social Entrepreneurship > UCC Copenhagen, Social entrepreneurship > Foundation for Entrepreneurship > SED
Providers of social enterprise start up and development support services and facilities (such as incubators)	<ul style="list-style-type: none"> > Reach for Change > Kooperationen > KBH+ > Social StartUp > SED > Greencubator
Business support providers	<ul style="list-style-type: none"> > The Social Growth Programme > (Social+/ Socialt Udviklingscenter SUS)

Category	Actor
Facilitators of learning and exchange platforms for social enterprises	<ul style="list-style-type: none"> > KBH+ > Centre for Social Entrepreneurship, Roskilde University > Copenhagen Dome—Center for Social Economy (launched 2018) > Social Entrepreneurship and Social Innovation Research Group (S-ENT), Copenhagen Business School. > SED
Social enterprise (support) networks, associations	<ul style="list-style-type: none"> > Kooperationen > <i>Selveje Danmark</i>, an interest organisation targeting self-owned institutions, many of which are formally established as social enterprise > SED > <i>Socialøkonomi Nordjylland</i> > Small networks for social enterprises in Roskilde, Odense, Vejle, Silkeborg, Jammerbugt and more municipalities.
Key providers of finance	<ul style="list-style-type: none"> > Merkur Cooperative Bank > The Social Capital Fund > Private foundations, including VELUX/ VILLUM fonden, Obel Family Foundation, Trygfonden, Hempel Fonden

4.5. Policy schemes and support measures for social enterprises

4.5.1. Support measures addressed to all enterprises that fulfil specific criteria (and which may benefit social enterprises)

The Ministry of Industry, Business and Financial Affairs, alongside **the Social Capital Fund**, has recently received 26 million DKK (approximately 3.5 million EUR) from the European Social Fund to promote “**Social Inclusion through Growth Partnerships**” at the municipality level. The project aims to establish 22 growth partnerships where municipalities, private actors and social enterprises work together to employ 148 long-term unemployed.

4.5.2. Support measures addressed to social economy/non-profit organisations (and which may benefit social enterprises)

Some support measures targeting NPOs are also beneficial to social enterprises. The Danish Centre for Voluntary Effort (*Centre for Frivilligt Socialt Arbejde*) is a national independent Centre established by the government. It employs 19 persons and aims at strengthening voluntary work in Denmark and generating knowledge about the civil society. While not directly targeting social enterprises, many of the resources provided by the Centre are useful support measures for them.

4.5.3. Support measures specifically addressed to social enterprises

Support measures for social enterprises in Denmark range in their focus, form and capacity. The Social Growth Programme, run by the Social Capital Fund on behalf of the Danish Ministry for Labour Market and Recruitment, ran from April 2013 to July 2016. The programme provided a mix of financial support as well as counselling and training for social enterprises that worked with the unemployed and most vulnerable. The total funding provided by the programme was 23.2 million Danish Kroner (roughly 3.1 million EUR). According to the programme website, the programme received applications from several hundred applications from social enterprises, and in the three years of the programme, a total of 32 Danish social enterprises received support from this measure. The Social Capital Fund (SCF) was launched in 2011 by a major foundation related to insurance (*Trygfonden*), together with the founding director's active engagement in the formative years of an institutionalised field of social enterprises in Denmark. The CEO of *Trygfonden* that funded and initiated the Social Capital Fund has been the President of the Board of Directors in the SCF since the beginning. During the years of a national policy interest in social enterprise, the foundation targeted particularly social enterprises in the sense of the EU operational definition. However, **in 2018 the SCF has turned towards the broader area of socially responsible enterprises: "the SCF invests in and develops enterprises which can unite social success with business success".⁴**

Since its foundation as a small local credit institute in the most Northern Province of Denmark in 1982, **Merkur Cooperative Bank (see illustration 4) has become one of, if not the most important provider of financial capital to social enterprises in Denmark.** The objective of Merkur is "that everybody should be responsible for our society and common livelihood. It is our position that money does not do anything in itself. In Merkur we want to use the tool of money to promote a sustainable societal development".⁵ Among other initiatives, Merkur has actively engaged in the EU

(4) SCF website, last accessed on 11 September 2018.

(5) Merkur website, last accessed on 11 September 2018.

programme for Employment and Social Innovation (EaSI) by lending out capital to social enterprises. Accordingly, Merkur has adopted The EU Progress Microfinance programme, a specific tool within the EaSI programme. Progress Microfinance provides support for building the capacity of selected microcredit providers and contributes to the field by sharing the providers' potential risk of loss. With this support and guarantee, Merkur engages actively and strategically in lending out money to social enterprises. Although the EaSI programme / Progress Microfinance leaves room for a more diversified field of organisations to seek support, Merkur has focused on social enterprises that are or could be registered with the RSV Registration tool.

Illustration 4. Merkur Cooperative Bank

Merkur Cooperative Bank (MCB) was established in 1982 and a member of the Global Alliance for Banking on Values. It was founded on socially-responsible, value-based sustainable banking practices focused on social justice, where financial considerations of traditional banking are expanded to include social, environmental and ethnical aspects. Their main partners and stakeholders involve depositors, borrowers, shareholders and similar cooperative banks (mainly abroad). The bank now services 6,810 shareholders and 34,000 customers in Denmark, with 100 employees handling these transactions. Their financial scheme mimics that of traditional banking, with deposits from customers, and utilises equity from customers and the interested public, yet distributes these resources toward social projects and practitioners.

As touched upon above, MCB is mainly concerned with socially responsible banking. They do not solely work with Social Enterprises, as such, but have acted as a main connector of social enterprises in the nation to financial resources for carrying out their activities beyond state support mechanisms.

In December 2017, the European Investment Fund and Merkur Cooperative Bank signed the first Social Entrepreneurship guarantee agreement in Denmark under the EU Programme for Employment and Social Innovation. The new agreement allows MCB to provide a total of 27 million EUR to social entrepreneurs over the following five years, helping the bank to provide loans to social enterprises targeting vulnerable groups in Denmark. This represents a large step in the field, and is one of the first and largest social finance transactions in Denmark thus far. MCB has noted a growing public interest and activity in social enterprises over the past five years, hence its new investment in enhancing supportive mechanisms to support such activities.

MCB is a primary social/ethical bank in Denmark and has stayed true to its societal ideals and transparency around these issues since 1982. These principles are unique

in the banking context in Denmark and have proved to constitute some of the more important and consistent funds (beyond state support) available to social enterprises in the country. They have been strategic, active and successful in utilising EU funds to support social enterprises and are the current leaders in social finance efforts. MCB has a wide view of sustainability and social justice in their funding priorities, which is not limited to the social enterprise ecosystem, but has been responsive to its expressed needs for growth and financial support.

www.merkur.dk

Danish municipalities are at large engaged in a big array of support measures targeting social enterprise. The picture changes constantly with new initiatives popping up and embryonic initiatives beginning to institutionalise. Whereas local institutionalisation processes were linked to the beginning of the formation of a national ecosystem (2013-2015), in 2018 they are mainly run by the municipalities themselves and partly underpinned by the Local government of Denmark, and the national interest organisation of all municipalities.

When looking back at the formative period of a national ecosystem, in January 2015 approximately 14 Danish Municipalities had received government funds in response to the “Municipalities that want to support social enterprises” campaign. Thirty-nine of the total 98 Danish municipalities applied for funds from the Danish Agency for Labour Market and Recruitment, indicating a growing interest for social enterprise involvement orchestrated at the local level. The programme has become a primary platform for the enhanced awareness and development of the social enterprise sector. Table 7 provides some examples of strong municipality initiatives.⁶

(6) The complete list of current municipal strategies for social enterprises is available online at: <http://xn--sociale-entreprenrer-rcc.dk/kommunale-strategier-for-socialokonomiske-virksomheder.html>

Table 7. Examples of municipalities engaged in social enterprise

Municipality	Example of social enterprise support programme
The Municipality of Copenhagen	“A Market for Social Enterprise”, 1 million DKK (approximately 134,000 EUR) per year, intended to aim awareness and increase knowledge of the barriers which face social enterprises. The program has also supported the efforts of KBH+, a network for social enterprises and supportive schemes operating in the city of Copenhagen. The municipality is also monitoring its public procurement in relation to social enterprises to get an overview of how much and what is bought from social enterprises by different departments of the municipality.
The Municipality of Halsnaes	The municipality of Halsnaes reserved 100,000 DKK (approximately 13,400 EUR) a year from 2013-16 for the development of social enterprises and created a widened focus on social entrepreneurship.
The Municipality of Kolding	In 2011, Kolding municipality set aside 500,000 DKK (approximately 67,000 EUR) for social enterprise initiatives to strengthen the culture around social entrepreneurship in the region.
The Municipality of Ikast-Brande	In 2013 the municipality of Ikast-Brande introduced a strategy to strengthen the environment for private and socially responsible businesses and to create more jobs for the socially marginalised. This included a particular ambitious plan—“Vision Vestergade” to connect private and municipal efforts for social enterprises in the attempt to create a more inclusive labour market. The project aims to make a physical living social enterprise environment on a city street, including third sector associations, workers of the municipality and active social enterprises, with the ambition to create 100 jobs in social enterprises by the end of 2017.
The Municipality of Silkeborg	In November 2015, the municipality of Silkeborg began a strategy for establishing social enterprises as a way to improve issues of social inclusion and economic growth, by establishing 150 new jobs for the socially marginalised in social enterprises before 2020.

Since the formative period, a constantly growing number of municipalities have adopted support measures targeting social enterprise. One such example is the Silkeborg Municipality Strategy for Social Enterprise.

Illustration 5. Silkeborg Municipality Strategy for Social Enterprise

In 2015 the Danish municipality Silkeborg launched the “Strategy for Establishing Social Enterprises in Silkeborg 2015-2020 - The Road to More Job-inclusion, Quality of Life and Growth”. The strategy was adopted by the town council in November 2015, and launched in 2016. The strategy was initiated at the municipality-level, but pushed and further developed through deep collaboration and consultation with existing WISEs in the area. The primary working group is composed of members of the Social Enterprise Network Silkeborg: representatives from the Municipality, leaders of social enterprises and researchers from VIA University College. The strategy is financed by the saved expenses from the redistribution of social benefits employed by social enterprises through the programme.

Silkeborg is a middle-size Danish municipality located in Jutland with 90,000 inhabits. The strategy formulates the following aims to be fulfilled by 2020:

- > 20 new registered social enterprises to be established within the municipality.
- > 20 companies to have used the *Inhouse* model. (Inhouse means that an ordinary company establishes a social enterprise as part of its business.
- > A total of 150 jobs for vulnerable citizens to be established in social enterprises.
- > By 2020 Silkeborg Municipality to be one of Denmark’s leading municipalities in relation to social enterprise.

In 2017 Silkeborg was awarded with the Social Enterprise prize that is given by the National Association of Danish Municipalities to a municipality that successfully promotes social enterprises.

By June 2018 there are 24 registered social enterprises in the municipality and 89 new jobs for vulnerable citizens have been established. Many of these are also registered through the RSV registration system. The municipality estimates that the economic net gain until now amounts to 3.5 million DKK (approximately 469,000 EUR). The implementation costs are 2 million DKK (approximately 268,000 EUR), but the costs of benefits to citizens now in jobs has been reduced by 5.5 million DKK (approximately 737,000 EUR).

A research project conducted by VIA University College in 2016-2017 has identified some of the important factors in the so far successful implementation of the strategy.

- > Constant political focus on the strategy. The annual national conference on social enterprise, which has been established by the municipality to promote and evaluate the Silkeborg Model. The conference has attracted politicians and staff

from a number of other Danish municipalities who look to the Silkeborg Model for inspiration.

- > The municipality has hired a former entrepreneur and social entrepreneur as coordinator of the strategy. The coordinator has a large network of people from business and social enterprise.
- > The coordinator works in the town hall with direct access to politicians and leaders of the municipal administration. This involves contacts with Departments of Labor market and employment, Department for Social services and Department for municipal purchase and contracts. This ensures that there is collaboration across the administrative units with regard to social enterprises.
- > The so-called Social Enterprise Network is a forum for leaders of the local social enterprises and employees from the municipal administration. The network meets four times annually and the coordinator is the chair. The meetings include mutual information and debate on issues of common interest regarding to social enterprise and offer a possibility for sparring between the local social enterprises and the municipal officials and the social enterprises.

4.6. Public procurement framework

Public procurement in Denmark amounts to approximately 300 billion DKK annually (approximately 40 billion EUR), thus creating a particularly high potential for using public demand as a means to promote issues of social and environmental sustainability. **Stakeholders engaged in the 2018 Mapping Study are all pointing to the fact that social enterprises could potentially have an important role in the transition of resources and focus in public procurement.** In October 2013, the Danish Ministry of Finance launched a new strategy called, “Strategy of Intelligent Public Procurement” mapping out particular interests in efficiency; innovation and quality development; and sustainability. In 2018, contracting authorities in the public sector have included environmental and social elements in their competition for the contract, often referring to the UN Global Compact calling on companies to align with 10 principles on human rights including issues around labour, environment and anti-corruption. This connection has been particularly contentious due to its voluntary nature.

Stakeholders interviewed in general indicate that the potential for using public procurement as a tool for an increased space for social enterprise is not being used to a sufficient degree. This emerged both at the stakeholders’ meeting organised for the purpose of this study (30.08.2018) and at the network meeting of The Committee on Social Enterprise (06.09.2018) where preliminary results from the Mapping Study were presented. One reason for this is a lack of information about rules

and possibilities for socially responsible public procurement in accordance with the EU directive on public procurement from 2014 (Directive 2014/24/EU).

A stakeholder representing a national interest organisation shared the experience that municipalities are interested in adopting principles of social responsibility when acquiring services or products, *“but they are afraid of doing something wrong, and they are quite grateful”* when getting information about how to use the legal framework in public procurement. Furthermore, this particular stakeholder spoke of *“experiencing a need to be in dialogue in the triangle of politicians, civil servants and enterprises to learn what can be done, what can you deliver to us, what is possible legally and what you want the politicians to do. When this dialogue is facilitated, a lot of things are happening”*. The stakeholder meeting agreed that there is more of a lack of information and lack of sharing of experiences with adopting principles of social responsibility in public procurement rather than unwillingness to do so.

Municipalities are gradually starting to adopt social responsibility principles in public procurement, and if this is linked to other local ecosystem initiatives, they may certainly prove to be an important player in the development of the social enterprise sector. If municipalities made a practice of contracting out to social enterprises, it would have an enormous impact on the sector, and it is absolutely a possible scenario for future development if the sector keeps pushing. Notably, some municipalities such as Silkeborg and Jammerbugt have been particularly diligent when inviting tenders for services, where social clauses require job flexibility, rehabilitation, and job training. Furthermore, the municipality of Copenhagen has been involved in the tracking of public procurements and the public's use of social enterprises in tenders for services, in order to create systems for pushing more collaboration. However, there are still no resources available for supplementing pricing differences between traditional enterprises and social enterprises, making it hard for social enterprises to compete for public funds against large companies with, for example, strong CSR strategies.

4.7. Networks and mutual support mechanisms

The establishment of the National Centre for Social Enterprise by the Danish Government in 2013 was the culmination of a long and steady process of institutionalisation starting around 2010. Unfortunately, this process was terminated with the cancellation of the centre by the end of 2015. However, the centre did indeed have some significant impact that was already included in the previous version of this report. Its primary objective was to carry out government suggestions catering specifically to social enterprises. The centre's ambitions were high, aiming to create:

1. An information campaign about social enterprises
2. Tool kit for measuring/documenting social impact
3. Enhanced social entrepreneurship and business operations
4. Strengthened work on social enterprises through local authorities (Municipalities)
5. Investigation of the social finance market in Denmark

The National Centre for Social Enterprises was the most important stepping stone towards full institutionalisation of a national ecosystem for social enterprise in Denmark. The work undertaken by the centre targeted various levels of Danish government and society with a multifaceted approach to handling issues related to social enterprises. The centre worked toward easing communication between social enterprises and public authorities, strengthening business elements of social enterprises, spreading knowledge to a more public domain—including private and third sectors—and disseminating knowledge about social enterprises through a public portal (socialvirksomhed.dk). As the centre succeeded in raising awareness and expectations of the social enterprise sector itself as well as external stakeholders related to the area, its sudden discontinuation by the Danish Government left stakeholders feeling pessimistic toward the prospect of strong policies directed toward social enterprises at the national level.

The Danish Government set aside 42.6 million DKK (approximately 5.7 million EUR) for social enterprises from 2012–2015. These funds went partially into the development of the, above mentioned, National Centre for Social Enterprises, but was also disseminated through the Danish Agency for Labour and Recruitment through two initiatives offering financial incentives for social enterprise engagement, and more specifically, for creating more job opportunities for disadvantaged people:

- > “Partnerships between social enterprises and private businesses”: four million DKK available (approximately 536,000 EUR), 300,000 DKK (approximately 40,000 EUR) per applicant, targeting the creation of strong linkages between social enterprises and the private sector.
- > “Municipalities that want to support social enterprises” seven million DKK (approximately 938,000 EUR) available, 500,000 DKK (approximately 67,000 EUR) per applicant, encouraging municipalities to support their local social enterprises at the community level. However, these initiatives were not extended and ended rather abruptly at the end of 2015.

The SED association 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. The group receives no funding from the public sector, and is generally focused on pulling together diverse actors in social enterprise.

Selveje Danmark (under the Danish Chamber of Commerce) is an interest group that organises NPOs and social enterprises. *Selveje Danmark* has worked with many projects operating in the social economy, and aims to give its 200 members the tools for identifying themselves as social enterprises. *Selveje Danmark* has a specific focus on the linkage between traditional and social enterprises.

Illustration 6. Selveje Danmark

Established in 2013, Selveje Danmark is a trade association which houses 250 independent non-for-profit organisations and social enterprises specialising in issues of welfare in Denmark. The association was founded by a coalition of independent organisations who found it necessary to gather and define the political, business and professional interests of self-governing organisations in the country. The association works independently from, yet in collaboration with, the Danish Chamber of Commerce in the interests of their member organisations. Their activities are mainly situated around political lobbying, counseling/consulting efforts, and organising meetings and networking opportunities connected to the Danish welfare sector. Selveje Danmark is made up of five employees and two students, supported by member fees.

Selveje Danmark claims to be the only organisation, which specifically organises NPOs and social enterprises around issues of social welfare. This is intended to create strength in affecting policy directed towards these organisations, but also serves as a powerful networking body uniting and engaging the entirety of the sector. As they work closely with political bodies, their efforts in advocacy are also a primary strategic tool they utilise to support participating member organisations' interests.

The association reports that the wider political focus on social enterprises has wavered over the past five years, but the organisations and municipalities which act for these causes are still actively working for their principles. Regarding issues of employment, specifically, Selveje Denmark points out a basic hole in support for social enterprises at the policy level. Where the public sector often uses a form of tender leaving social enterprises/ non-governmental organisations with the obligation to establish the infrastructure needed to deliver services, yet the public sector has no obligation to buy or support the sale of these services.

Selveje Danmark serves an important role in advocating for social enterprises/non-profits at the policy and state-level. Secondly, in connecting 250 active organisations working for issues surrounding social welfare, they help create a unified voice in carrying out actions, which support and strengthen this sector on the whole.

CABI is a self-governing, independent support branch under the Ministry of Employment that works to connect municipalities with businesses and social entrepreneurs. Since 2015, CABI has collected information about partnership models between businesses and social enterprises, actively working toward strengthening these partnerships, mainly through the lens of employment.

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 and has, since, acted as a main support system for social enterprises.

There has also been a surge in social incubators in Denmark catering to social enterprises, such as Reach for Change, Social Start-up, Greencubator, etc., who work directly with practitioners to improve social enterprise impact and operation. KBH+ has also become a key organising space for social enterprises through their “social innovation zone”, with a focus on social inclusion and social responsibility. Since the spring of 2014, KBH+ has built a large network of social enterprises and social economic start-ups in the Copenhagen area.

The Committee on Social Economy established by the concerted efforts of former members of the National Committee on Social Enterprise meets regularly to share experiences and push for policy initiatives in the area. The Committee is an informal network of approximately 20 members from all areas with a particular interest in social enterprise. The committee holds a very high degree of legitimacy since its members are from social enterprises themselves as well as financial institutes, employers’ and employees’ organisations, interest organisations, ministries, municipalities and institutions of higher education. The committee meets several times a year to discuss and coordinate initiatives. One such initiative was **a letter send to the Minister of Industry, Business and Financial Affairs on June 2018. The letter was signed by members of the committee and afterwards supported by 49 organisational stakeholders within the field of social enterprise.** The letter started with a statement of support for the RSV tool followed by emphasising the **need to embed the registration in a larger ecosystem consisting of information and guidance, public monitoring of the RSV, improvement of financial and administrative benefits for social enterprises and organisations aspiring to become social enterprises.** Furthermore, the letter pointed towards easing a legal constraint that many if not most stakeholders see as an obstacle towards growth in the sector. The constraint puts a limit to the number of socially excluded citizens who are recipients of public social assistance that can be employed by social enterprises. Finally, the letter called for a better position for social enterprises in terms of public procurement.

4.8. Research, education and skills development

Education programmes relating to social enterprise, social entrepreneurship and social innovation have become integrated into many different levels of the Danish education system. In higher education, the Centre for Social Entrepreneurship (CSE) at Roskilde University, founded in 2006, is the oldest of its kind, offering a two-year Master's programme in Social Entrepreneurship. The programme is mainly composed of existing professionals working within social enterprises, voluntary organisations, public municipal sectors, university colleges, and social housing projects. In September 2013, an International Master in Social Entrepreneurship and Management (SEM) was also launched at Roskilde University geared towards international as well as Danish students entering the field at the graduate level. The Centre is engaged in international research and doctoral education, and since its foundation in 2006 approximately 10 PhDs have either graduated or are about to graduate from the centre. The centre has led comparative European research projects as well as international research networks at the Nordic and international level. Furthermore, it has contributed with core members to national and international government committees on social enterprise and social entrepreneurship.

Copenhagen Business School (CBS) has offered specialisations in social entrepreneurship for many years, but this has developed into a more structured environment and active research group: Social Entrepreneurship and Social Innovation Research Group (S-ENT), Copenhagen Business School, which features and connects a variety of researchers in the field. Researchers from CBS are engaged in several high-level research networks within or in close relation to the field of social enterprise. Scholars from the CBS Centre for Civil Society Studies have published a comparative report on social economy in Denmark in 2018.

Professional colleges have also integrated elements of social enterprise studies. For example, the VIA University College in Jutland offers various study modules in social entrepreneurship/ social innovation/ social enterprise at the Bachelor level in the areas of social welfare and health (nursing, social work, social pedagogy, etc.). Scholars from VIA have published on social entrepreneurships as well as social enterprise and are engaged in research on social enterprise ecosystems at the local level.

The Danish Technological Institute has also led a large international research project surrounding social enterprise, where they have disseminated new knowledge to Danish municipalities in order to develop solid strategies for promoting social enterprises in Denmark's local contexts.

The Danish Foundation for Entrepreneurship - Young Enterprise has also become a main actor. 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, workspaces, and exhibition and events space are also provided for social entrepreneurs and change-makers through “the Hub” and similar spaces in Copenhagen and other parts of Denmark.

4.9. Financing

The degree of finance explicitly oriented toward social enterprises is relatively limited in Denmark. Some of the institutions have been highlighted in section 4.2 on support measures, since several support measures are also engaged in providing access to funding. In the 2014 version of this report, The Social Capital Fund was highlighted as a private equity/venture capital fund directly targeting social enterprises as a primary investor in social enterprises; however, this support has since been widened to a broader group of actors involved in work integration efforts.

The public sector continues to play the most important role in funding social enterprises both through providing contracts and accessing subsidies mainly targeting purposes of innovation and development. As mentioned previously, the versatile nature of social enterprises in legal and fiscal matters has allowed for a certain degree of navigation between public funding options and opportunities for operational costs. However, many social enterprises are granted public funding on a project basis, allowing for a large degree of uncertainty between funding rounds and shifting government priorities. This, in general, affects the long-term sustainability of social enterprises negatively since financial support is given on a short or medium term basis. However, there is a vast array of access to public funding originating in a variety of pilot programmes and funding opportunities that keep the sector as such oriented toward social innovation of service provision and provision of work and upgrading of skills of socially marginalised citizens. There is no doubt, however, that **many stakeholders would rather change the experimental status of finance into more long-term types of income related to an improved use of public procurement, partnerships and access to various types of social impact investment.**

In the Danish context, charity organisations and private foundations have a long tradition of supporting projects relating to poverty, children, domestic violence, elderly care, and physical or mental disabilities. However, these institutions are generally inclined to support “seasoned” social organisations with social entrepreneurial elements over pure social enterprises. This creates a particularly challenging environment for social enterprises in the early stages of development and start-up phases. A few foundations have given large donations to organisations that have targeted efforts for social enterprises, e.g., to the The Social Capital Fund and to the social enterprise support

scheme Social StartUp. There are also, of course, a few Danish foundations that have given substantial donations to individual social enterprises and their ecosystem within the last few years, specifically: Velux/Villum Foundation, Trygonden, the Obel Family Foundation and Hempel Foundation.

In addition to funding from the public sector and charities/ private foundations, a limited number of alternative banks, such as Merkur Cooperative Bank and Folkesparekassen, have specifically targeted companies, institutions and projects with pronounced social, cultural and/or environmental objectives, some of which would be classified as social enterprises. While there are social enterprises testing out a variety of revenue sources (crowd-funding, private investors, etc.) These practices are fairly new and not streamlined within the field. In January 2015 The Danish Business Authority under the Ministry of Business and Growth, launched an initiative rewarding 1.5 million DKK (approximately 201,000 EUR) to social enterprises with successful crowd-funding campaigns. As many entrepreneurs struggle in locating seed funding, this initiative could act as a catalyst in developing the social enterprise sector.

5

PERSPECTIVES

Social enterprises in Denmark are mirrors of the dynamic interplay between state, market and civil society that has shaped the particularities of this type of welfare state. Despite of nationally focussed policy attention and activity between 2013 and 2015, social enterprise does not yet exist as a field in its own right with a capacity to exist independent of fluctuations and changes of policies at national and local level. Many civil society organisations maintain an interest in some innovative and entrepreneurial elements of social enterprise without becoming full-fledged social enterprises. In 2018, stakeholders' repeatedly argued that it only takes the implementation of the recommendations from the National Committee on Social Enterprise to establish an efficient ecosystem for social enterprise in Denmark. The policy recommendations forwarded immediately before and after the adoption of the law on social enterprise in 2014 marked the beginning of a new era of action, advocacy and collaboration between social enterprise stakeholders. It served as a legitimisation of a national ecosystem. The collective energy and momentum was short-lived and disrupted by changes of government and policy attention. However, the formation and existence of social enterprise at the local level without national policy attention are marks of a dynamic institutional partner although at a lower level than anticipated by stakeholders in 2014.



5.1. Overview of the social enterprise debate at the national level

In the years since the publication of the previous version of this report in 2014, there have been a number of significant developments regarding Denmark's social enterprise sector at the national level. The National Strategy for Social Enterprise (2014) and its corresponding RSV registration tool, working committees and policy recommendations have created an inescapable enthusiasm for social enterprise and its potential role in shaping Denmark's future social policy and welfare agenda. In 2018, stakeholders' repeatedly argued that it only takes the implementation of the recommendations from the National Committee on Social Enterprise to establish an efficient ecosystem for social enterprise in Denmark. The policy recommendations forwarded immediately before and after the adoption of the law on social enterprise in 2014 marked a new era of action, advocacy and collaboration between social enterprise stakeholders. It served as a legitimisation of a national platform.

However, this collective energy and momentum was short-lived. The policy's ultimate, abrupt discontinuation at the end of 2015, due to shifting government priorities, has created a confused, discouraged and pessimistic body of social enterprise actors. Many interviewed for this study had lost faith in the negotiation of social enterprise needs at the national level, instead focusing their energies at the municipality and grassroots levels of operation and support. While the RSV Registered Social Enterprises was a somewhat revolutionary initiative of its time, the platform has managed to show social enterprises a dead-end in mobilising support, knowledge, resources and partnerships. Whereas it was meant to be a part of a comprehensive ecosystem, it now stands alone. Many committees, funds and initiatives have been frozen, leaving the sector with a skeleton of its potential directions. In June 2018, a letter was sent by policy makers in the field asking for actions by the Ministry of Business, Industry and Financial Affairs. The letter proposed and argued the following actions around RSV social enterprise registration: i) better information and guidance around the purpose of the RSV in cultivating a strong social enterprise sector; ii) control and trust in the RSV system, where there has not been sufficient monitoring; iii) the need for economic incentives and administrative benefits to registered social enterprises under the RSV label; iv) a focus on public procurement and supply, helping to provide public purchasers opportunities for supporting social enterprises.

As of autumn 2018, social enterprise in Denmark does not seem to be considered a potential innovation platform for the Danish welfare society. However, the actions of a number of local municipalities have proved a very different narrative. Stakeholders involved in this study placed a huge amount of faith in the efforts of municipalities to create locally appropriate programmes for cultivating social enterprise

as a means to address issues of unemployment and the socially marginalised at the local level. Municipalities have created small microcosms of functional relationships between social enterprises, citizens and the public sector.

Shifting policy at the national level has also created openings for renewed conversations about the future of social enterprise in Denmark. While some seem convinced that it was “just a phase” in social policy, others have identified new pathways for making the sector relevant to the current Danish political agenda. For example, the addition of social clauses in public procurement policies has left an opening for a new sort of collaboration and market engagement. However, stakeholders note the need for support systems in connecting social enterprises with these opportunities through incentives, tools and effective platforms. Debates also include a natural linkage between Denmark’s adaptation of the UN’s Sustainable Development Goals and the space for social enterprise to focus on “green policy” and environmental sustainability.

Overall, discussions around the role of social enterprise are still vibrant among practitioners, policy makers and advocates. There are still many debates about the boundaries and definitions of social enterprises. Yet, interviewed stakeholders did not seem to see this as a negative element in the field’s development. On the contrary, many interviewed for this study saw social enterprise as a sector still in its developing phases, and predicted a “slow and steady” growth of its capabilities and associated ecosystem.

5.2. Constraining factors and opportunities

The most strongly voiced constraining factors for the cultivation of a strong social enterprise sector revolve around the current lack of government support, political initiatives and legal regulation directed toward the field. A national strategy, committee and centre of knowledge is seen as essential in taking current projects to the next level. There are very few policies currently at play that handle and address the particularities of social enterprises in Denmark. The discontinued social enterprise policy measures of 2014-2015 have tended to act as a demotivating factor for social enterprise practitioners and advocates. While Denmark has a fairly full ecosystem of individual actors between sectors, this cannot be fully conceived as a unified field of action. Actors are in great need of a centre for organising collective goals, visions and cooperation.

The RSV registration platform, for example, left many with a false hope of a vibrant new era of new services, partnerships and supportive mechanisms for social enterprises—and its status as a flat, inactive database has caused many to lose faith

in the “social enterprise” label. Yet, the RSV still holds a lot of potential for spreading awareness, connecting social enterprises and collecting data to inform future policy. The revitalisation of a committee to work with the registration tool more actively could be a very promising pathway for social enterprises in the nation. On top of offering a preference in accessing public markets (expanded upon below), the RSV registration tool could act as a platform for opportunities for financing, benefits and privileges to registered social enterprises.

Despite uncertainty at the national level, the municipalities (such as Copenhagen, Silkeborg, Ikast-Brande and Jammerbugt) have been able to create their own forces for supporting social enterprise in their local contexts. This has proved to be an effective medium for addressing the specific, ad-hoc needs of social enterprises in their connections with public authorities, companies and each other.

Some major opportunities for social enterprises in Denmark also rest in the possibility of capitalising on new social clauses in public procurements (amounting to approximately 300 billion DKK, i.e. about 40 billion EUR annually). However, gaining access to public markets requires the creation of solid legal frameworks to help negotiate this process. The possible use of the RSV registration tool as a mechanism for facilitating collaborations has been suggested. Negotiations and lobbying about social clauses in public procurements are currently in process.

As with many social enterprises around Europe, there are continuing issues with the business/market components of social enterprises, also in regards to seeking out creative funding options separate from state support systems. There is an urgent need for capacity building and knowledge sharing in these areas. That being said, these holes in knowledge may have accelerated the development of new kinds of ad hoc collaborations between social enterprises and private sector circles. **Some of the bigger private foundations in Denmark are part of an international turn towards catalytic philanthropy where the foundations engage with hands-on requirements for both the governance and the activities of the organisations they support. Some social enterprises have experienced the consequences of the turn towards catalytic philanthropy; for instance, when a foundation dictates a change in the composition of a board when engaging in the partnership with the social enterprise.**

Furthermore, it seems existing collaborations between social enterprises and public sector institutions (job centres, etc.) have been strained, unstable and confusing to the actors involved. As social enterprises are spread between many government support schemes and models of operation, public civil servants have not been properly trained or equipped to support social enterprises as such. Whereas, social enterprise has certainly benefited from the versatility of various business and social schemes, it

seems as if this structural diversity has also acted as a barrier for creating a solidified social enterprise movement, able to self-advocate and organise for shared interests.

5.3. Trends and future challenges

Social enterprise in Denmark has a deep, complex and intertwined relationship with the public sector. As extrapolated upon earlier, this history has revolved around attitudes of collective action through cooperative movements, volunteerism within the third sector, and eventually welfare policies supporting the early seeds of social enterprises in the nation. Many stakeholders saw this context as both constructive and destructive in the creation of a strong social enterprise culture. On one hand, it has cultivated a culture of togetherness in accomplishing social and political goals—specifically, those connected to ideas of inclusion. However, some stakeholders also fear that the roots of social enterprise in Denmark have made practitioners too accustomed to “welfare solutions”, creating a “weak entrepreneurial culture” and a tradition of state dependency. This is seen as a critical factor in limiting actions, developments and frameworks for support, which interact outside the public sector to solve social problems.

Furthermore, there seems to be a number of misunderstandings connected to the word: “social enterprise”. As one stakeholder points out, the roots of the word: “social” in the Danish language is connected to “taking the hand of the vulnerable”, opposed to its link to “society” in English. This association, matched with the domination of WISE social enterprises in the 1990s and 2000s, has caused many new and seasoned practitioners in the field to avoid the term, hoping to break free from its previous affiliations with social policy. This avoidance of social enterprise terminology has acted as a clear hindrance to the building of a more dynamic social enterprise movement and support system in the country. While RSV registration tools helped widen public understanding of the dynamic and diverse nature of social enterprises, the fact that the RSV did not lead to actual services or benefits left potential partners questioning the relevance of being connected to such a movement or term.

However, the wavering platforms, policies and debates around social enterprise in the last five years have also created new positive trends in the Denmark’s social enterprise movement. The tradition of decentralised social services has left municipalities in a unique position to support social enterprises at the local level. Municipalities in urban and rural settings have used state funds in order to create new environments of innovation and partnership building. If municipalities and social enterprises are given the right tools to access and utilise these resources to their fullest potential, there could be a very exciting future for social enterprises in Denmark. Lastly, whereas policy directly

handling social enterprises has been at a standstill at the national level, there is a clear spark of enthusiasm and innovation amongst young social enterprise practitioners. Communities of practitioners are blossoming, collaborating and creating through hub spaces, social incubator programmes and shared office spaces, and further supported by the strong educational resources available through Denmark's academic institutions.

But it appears that the **future of social enterprise is uncertain now. Seeds of promise could become full-fledged support schemes, or the social enterprise movement, without institutionalised forms of policy and action, could become just another limited phase in Denmark's history of social policy.** While there is still a great deal of enthusiasm for social enterprise and room for discussion and growth, without solid forms for organisation, legitimisation and access to financing, social enterprises remain vulnerable in the Danish context.

6

APPENDICES

Appendix 1. The EU operational definition of social enterprise

The following table represents an attempt to operationalise the definition of “social enterprises” based on the Social Business Initiative (SBI) promoted by the European Commission.

Main dimension	General definition	Relevant Indicators <i>(not exhaustive list)</i> (yes/no or range from low up to very high)	Initial minimum requirements (yes or no)	Examples/boundary cases comments
Entrepreneurial/ economic dimension	Social enterprises (SEs) are engaged in the carrying out of stable and continuous economic activities, and hence show the typical characteristics that are shared by all enterprises ⁷ .	<ul style="list-style-type: none"> > Whether the organisation is or is not incorporated (it is included in specific registers). > Whether the organisation is or is not autonomous (it is controlled or not by public authorities or other for-profit/non-profits) and the degree of such autonomy (total or partial). > Whether members/owners contribute with risk capital (how much) and whether the enterprise relies on paid workers. > Whether there is an established procedure in case of SE bankruptcy. > Incidence of income generated by private demand, public contracting, and grants (incidence over total sources of income). > Whether and to what extent SEs contribute to delivering new products and/or services that are not delivered by any other provider. > Whether and to what extent SEs contribute to developing new processes for producing or delivering products and/or services. 	SEs must be market-oriented (incidence of trading should be ideally above 25%).	<ul style="list-style-type: none"> > We suggest that attention is paid to the development dynamic of SEs (i.e. SEs at an embryonic stage of development may rely only on volunteers and mainly on grants).

(7) In accordance with Articles 48, 81 and 82 of the Treaty, as interpreted by the Court of Justice of the European Communities, “an enterprise should be considered to be any entity, regardless of its legal form, engaged in economic activities, including in particular entities engaged in a craft activity and other activities on an individual or family basis, partnerships or associations regularly engaged in economic activities.”

Main dimension	General definition	Relevant Indicators <i>(not exhaustive list)</i> (yes/no or range from low up to very high)	Initial minimum requirements (yes or no)	Examples/boundary cases comments
Social dimension (social aim)	<p>The social dimension is defined by the aim and/or products delivered.</p> <p>Aim: SEs pursue the explicit social aim of serving the community or a specific group of people that shares a specific need. "Social" shall be intended in a broad sense so as to include the provision of cultural, health, educational and environmental services. By promoting the general-interest, SEs overcome the traditional owner-orientation that typically distinguishes traditional cooperatives.</p> <p>Product: when not specifically aimed at facilitating social and work integration of disadvantaged people, SEs must deliver goods/services that have a social connotation.</p>	<ul style="list-style-type: none"> > Whether the explicit social aim is defined at statutory/legal level or voluntarily by the SE's members. > Whether the product/ activity carried out by the SE is aimed at promoting the substantial recognition of rights enshrined in the national legislation/ constitutions. > Whether SEs' action has induced changes in legislation. > Whether the product delivered - while not contributing to fulfilling fundamental rights - contributes to improving societal wellbeing. 	Primacy of social aim must be clearly established by national legislations, by the statutes of SEs or other relevant documents.	<ul style="list-style-type: none"> > The goods/services to be supplied may include social and community services, services for the poor, environmental services up to public utilities depending on the specific needs emerging at the local level. > In EU-15 countries (and especially in Italy, France and the UK) SEs have been traditionally engaged in the provision of welfare services; in new Member States, SEs have proved to play a key role in the provision of a much wider set of general-interest services (e.g. educational services up to water supply). > What is conceived to be of meritorial/general-interest nature depends on contextual specificities. Each national expert should provide a definition of what "public benefit" means in her/his country.

Main dimension	General definition	Relevant Indicators (<i>not exhaustive list</i>) (yes/no or range from low up to very high)	Initial minimum requirements (yes or no)	Examples/boundary cases comments
Inclusive governance-ownership dimension (social means)	To identify needs and involve the stakeholders concerned in designing adequate solutions, SEs require specific ownership structures and governance models that are meant to enhance at various extents the participation of stakeholders affected by the enterprise. SEs explicitly limit the distribution of profits and have an asset lock. The non-profit distribution constraint is meant to ensure that the general-interest is safeguarded. The non-profit distribution constraint can be operationalised in different ways.	<ul style="list-style-type: none"> > Whether SEs are open to the participation and/or involvement of new stakeholders. > Whether SEs are required by law or do adopt (in practice) decision-making processes that allow for a well-balanced representation of the various interests at play (if yes, through formal membership or informal channels –give voice to users and workers in special committees?). > Whether a multi-stakeholder ownership structure is imposed by law (e.g. France). > Whether SEs are required to adopt social accounting procedures by law or they do it in practice without being obliged to. > Degree of social embeddedness (awareness of the local population of the key societal role played by the SE versus isolation of the SE). > Whether the non-profit distribution constraint is applied to owners or to stakeholders other than owners (workers and users): whether it is short-term (profits cannot/are not distributed or they are capped) or long-term (asset lock); or both short and long term. > Whether the cap is regulated externally (by law or defined by a regulator) or it is defined by the SE by-laws. > Whether limitations to workers' and/or managers' remunerations are also imposed (avoid indirect distribution of profits). 	SEs must ensure that the interests of relevant stakeholders are duly represented in the decision-making processes implemented.	<ul style="list-style-type: none"> > Ownership rights and control power can be assigned to one single category of stakeholders (users, workers or donors) or to more than one category at a time—hence giving ground to a multi-stakeholder ownership asset. > SE can be the result of collective dynamics or be created by a charismatic leader (in principle a sole owner is admitted by some national legislations provided that the participation of stakeholders is enhanced through inclusive governance) or public agency. > Different combinations concerning limitations to profit distribution envisaged (e.g. most successful solution: capped dividends supported by total asset lock – Italian social coops, CIC, SCICs).

Appendix 2. Data availability report

Legal typology	Source of data (name, type & link)	Data provider (name & type)	Year of reference timeline of updates	N° of organisations	N° of workers	Turnover	Degree of reliability (1 to 4) and explanation
Associations, foundations, limited liability companies and other companies formally registered as social enterprises	RSV register Administrative register	Erhvervsstyrelsen (Danish Business Authority) Government Institution	2018 Yearly	✓	✓	N.A.	4 - Official statistics highly reliable, however the legal form of social cooperative is included under the same code as other types of cooperatives, hence the concrete number of social cooperatives was provided by CSO upon personal request.
Associations, foundations, limited liability companies and other companies formally registered as social enterprises	VIRK register Administrative register	Erhvervsstyrelsen (Danish Business Authority) Government Institution	2018 Constantly updated	✓	✓	✓	4 - For 2014 and 2018 the data are available upon request from CSO, however, due to the change of analytical software at CSO, the same dataset is not available for 2015-2017.
Associations, foundations, limited liability companies and other companies formally registered as social enterprises	Socialøkonomiske virksomheder i Danmark (Register of social enterprises) Administrative register	Social Entrepreneurs in Denmark (SED) Representative body	2018 Constantly updated	✓	N.A.	N.A.	3 - The web portal refers to CSO as the source of data, however, the data are not fully consistent with the data obtained directly from the CSO (the difference is, however, very little, where the comparison is possible).

Legal typology	Source of data (name, type & link)	Data provider (name & type)	Year of reference timeline of updates	N° of organisations	N° of workers	Turnover	Degree of reliability (1 to 4) and explanation
Enterprises with notable features of social economy	Komparative analyser af dansk socialøkonomi: Sorgfrit udkomme & timeligt velvære? (Danish enterprises with significant social enterprise characteristics) Research project	Copenhagen Business School. Department of Management, Politics and Philosophy. [Lund and Sørensen, (2018)] Research Institute	2018 Una tantum	✓	N.A.	N.A.	2 - The definition adopted in this study does not correspond to the EU SE operational definition. The study covers “enterprises with notable features of social economy” including also conventional enterprises with a particularly strong Corporate Social Responsibility (CSR) profile. This includes: 1. Social enterprises based in associations and the third sector; 2. Market based social enterprises aiming at being socially responsible; 3: Social enterprises based in municipalities and a mix of earned income and public subsidy.
De facto social enterprises	Udvalget for Socialøkonomiske virksomheder (National Committee for Social Enterprise) Statistical register	DST (Statistics Denmark) National Statistics Office (NSO)	2013 Una tantum	✓	✓	N.A.	3 - Estimation of social enterprises in line with the EU operational definition.

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Appendix 4. List of stakeholders engaged at national level

The set of 21 Country Reports updated in 2018 and 2019 included a “stakeholders engagement strategy” to ensure that key input from national stakeholders was incorporated. Four categories of stakeholders were set up: academic (ACA), policymaker (POL), practitioner (PRAC) and supporter (SUP). The stakeholders’ engagement strategy followed a structured approach consisting of a questionnaire, one or two stakeholders’ meeting (depending on the country) and one core follow-up group. Such structure enabled a sustained, diverse and committed participation of stakeholders throughout the mapping update process. The full names, organisations and positions of key stakeholders who accepted to have their names published are included in the table below.

Full name	Organisation	Role	Stakeholder category
Kirsten Arup	Project Coordinator	Merkur Bank / Andelskasse	SUP
Per Bach	CEO	Social Entreprenører i Danmark	SUP
Line Barfod	Lawyer	Ecolaw	SUP
Dorte Bukdahl	Head of Copenhagen Dome, Center for Social Economy	Grennesminde	PRAC/SUP
Karen Elizabeth Høeg Gottschalck	Consultant	Kooperationen	SUP
Christina Grøntved	CEO	Incita	PRAC
Mikkel Holmbäck	CEO	Glad Fonden	PRAC
Esben Hulgård	Researcher, lecturer	VIA University College	ACA
Kristian Jakobsen	Head of Analysis	Den Sociale Kapitalfond	SUP
Kristian Kirkegaard Kornum	Head of Procurement	CBS Legal Copenhagen Business School	ACA
Jon Krog	CEO	Selveje Danmark	SUP
Jesper Kromann	Project Leader	Merkur Bank/ Andelskasse	SUP
Rene Kusier	Head of section	Danish Business Authority	POL
Peter Mortensen	Leader	Jammerbugt Kommune	POL

Full name	Organisation	Role	Stakeholder category
Elof Nellesmann Nielsen	Researcher, lecturer	VIA University College	ACA
Stephane Parize	Consultant, leader	Boligselskaber 3B	PRAC
Anne Kjær Skovgaard	Leader	Den Sociale Kapitalfond	SUP
Christian Sølyst	Consultant	LO	SUP
Simon Søndergaard	Founder, CEO	Buddha Bikes	PRAC
Roger Spear	Professor of Social Entrepreneurship and Researcher	Roskilde University	ACA
Susanne Westhausen	CEO	Kooperationen	SUP

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