



Social enterprises and their eco-systems: A European mapping report

Updated country report: Italy



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Updated country report: Italy

This report provides an overview of the social enterprise landscape in Italy based on available information as of July 2016. The report updates a previous version, submitted by ICF Consulting Services to the European Commission in 2014 □.

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Figure 1. Spectrum of social enterprise in Italy

LIST OF ACRONYMS

AICCON - Italian Association for the Promotion of the Culture of Co-operation and of Nonprofit
AIDA – Bureau Van Dijk database 'Italian company information and business intelligence'
BCC – Cooperative Credit Banks
CECOP - European Confederation of Workers' Cooperatives
CFI – Cooperazione Finanza Impresa
CGM – Gino Mattarelli Consortium of social cooperatives
EC – European Commission
ESF – European Social Fund
EU – European Union
EMES – International network of research centres and individual researchers on social enterprise
Euricse – European Research Institute on Cooperatives and Social Enterprise
GIS – Management of Social Enterprise
INPS –National Institute of Social Security
IRES – Corporate Income Tax
Iris Network –Network of Research Institutes on Social Enterprises
ISTAT –National Institute for Statistics
NPO – Non-Profit Organisation
ONLUS - Non-Lucrative Organisation (*Organizzazione non lucrativa di utilità sociale*)
SIAVS – Innovative social startups (*startup innovative a vocazione sociale*)
SME – Small and medium-sized enterprises
SPA – Joint-stock company
VAT – Value Added Tax

EXECUTIVE SUMMARY

Background

The history of social enterprise in Italy is closely linked to the evolution of its welfare system and spans nearly forty years, encompassing diverse trends across the various organisational types that make up the social enterprise spectrum. These are: (i) social cooperatives; (ii) associations and foundations, (iii) mutual aid societies; (iii) joint stock and limited liability companies; and (iv) traditional cooperatives. Building upon a rather undersized non-profit sector that was traditionally focused on advocacy activities, social enterprise has developed in different stages. In the first stage, social cooperatives were the crucial actors, and then associations and voluntary organisations shifting towards a stronger entrepreneurial stance, and finally joint stock and limited liability companies that decided both to pursue explicit social aims and to adopt inclusive governance.

Social enterprise initiatives were initially boosted by the strong tradition of civic engagement dating back to the pre-war period and the Catholic tradition. In the 1960s–1970s, several activists inspired by either their civic or religious engagement became the promoters of new bottom-up initiatives aimed at advocating the rights of vulnerable social groups against the profound transformations affecting Italian society. They set up new organisations relying heavily on volunteers with the aim of supplying welfare services and integrating disadvantaged people into work. The progressive recognition of social enterprises and the growth and diversification of needs arising in society have increasingly attracted public resources. As a result, over the years, such initiatives have grown dramatically in number, stimulating collective debate as to the most suitable organisational arrangement for best exploiting the contribution from civil society.

Concept, legal evolution and fiscal framework

The concept of 'social enterprise' was introduced in Italy earlier than elsewhere to designate the first 'social solidarity cooperatives' which emerged from the voluntary initiative of groups of citizens to undertake economic activities that formed part of a social project. In 1991, after more than 10 years of unregulated development, these organisations were recognized by law as 'social cooperatives', that is to say cooperatives operating with the purpose of 'pursuing the general interest of the community in the human promotion and social integration of citizens'. In addition to boosting the quality of services supplied by social cooperatives, legal recognition has stimulated both the establishment of collaborative relationships - especially with local government - and the widespread diffusion and growth of this type of social enterprise.

The impressive development of social cooperatives did not prevent the emergence of other types of non-profit organisations or the transformation of pre-existing organisations into social enterprises (e.g. associations). In response, a more general legal framework was introduced in 2005-06, creating the legal category of 'social enterprise', which provides a wider definition of the organisations entitled to perform social enterprise activities and the admissible fields of engagement. While social cooperatives, associations and foundations increasingly involved in the continuous provision of services have carried on growing in terms of numbers, turnover, and people employed, the number of organisations registered as social enterprises has shown a disproportionately small increase compared to the number of organisations that could potentially qualify as social enterprises. In effect, the law seems to have met with some resistance from eligible organisations due to prevailing cultural prejudices, the costs involved for associations and voluntary organisations wishing to qualify as social enterprises and the lack of fiscal advantages, including those already awarded to social cooperatives.

With the aim of re-launching social enterprise, new legislation enacted in 2016 introduces some key changes with a view to providing a common framework for the sector. At the same time, while safeguarding the non-lucrative mission of social enterprise, the law is

targeted at rendering the social enterprise qualification more attractive both to potentially eligible organisations and to investors.

Mapping

When looking across the entire range of social enterprises operating in Italy, regardless of their legal form, the phenomenon turns out to be significant in terms of numbers. Based on the available data on social cooperatives, *ex lege* social enterprises, and associations and foundations with market activity, the overall number of social enterprises amounts to nearly 100 000, accounting for more than 850 000 paid workers and around 1.7 million volunteers.

Eco-system

The eco-system for social enterprises in Italy is shaped by the interplay among different key actors that have contributed to acknowledging the specificity of social enterprises, have developed support policies and measures encouraging their replication and scaling up and have had a role in rendering the social enterprise phenomenon visible. Key actors include national and local policy-makers; research and education institutions; social enterprise networks and financial intermediaries. It is important to highlight in particular the self-promoting role played by networks, which have often compensated for the fluctuating strategy pursued by other actors, particularly policy-makers.

Perspectives

Social enterprises are an important and growing sector of the Italian economy. While the integration of social enterprises into the welfare system has been key in boosting their replication, the strong dependence of social enterprises on public policies, coupled with the growing use of competitive tenders based on the lowest price, has contextually contributed to a constraint on their future development. Spending reviews implemented by the Italian Government in response to the economic crisis have reduced the availability of public resources in sectors that are fundamental for social enterprises, such as the welfare domain. This has, on the one hand, reduced the expansion opportunities of social enterprises. On the other hand, it creates the impetus for social enterprises to diversify into new markets, including the new demand from private users, capturing the large volume of resources spent in the informal market. A key challenge for social enterprises delivering general interest services is to experiment with new cycles of innovation in the health and educational domains and increase the delivery of corporate welfare services addressed to enterprises' employees, families and clients. As for WISEs (work integration social enterprises), a key challenge is to switch from domains with a low added value towards operations that can foster higher professional profiles to the benefit of disadvantaged workers who are already employed. Another strategy, which should be exploited further, is the establishment of partnerships with conventional enterprises. As demonstrated by good practices in this area, such a strategy can enable the continuing integration of employment rates of disadvantaged workers.

1. BACKGROUND

1.1. Social Enterprise roots and drivers

In Italy the history of social enterprise spans nearly forty years, encompassing diverse evolutionary trends across the various organisational types that make up the social enterprise spectrum:

- social cooperatives
- associations and foundations ⁽¹⁾
- mutual aid societies
- joint-stock and limited liability companies
- traditional cooperatives (e.g. community cooperatives).

The development of social enterprises is closely linked to the history of Italy, and particularly its welfare system.

The first social enterprise initiatives were set up at the end of the 1970s, during a period of poor economic figures and increasing unemployment, in response to the inability of the Italian welfare state to face new needs arising in society. The initiatives were aimed at meeting new needs resulting specifically from demographic transformations, economic recession and the growth of youth unemployment. Additional factors driving the creation of new entrepreneurial initiatives included new social and health developments and innovative approaches to some types of disease that led to the deinstitutionalization of mentally ill patients and the increased likelihood of survival at birth of infants affected by severe psychological and physical disabilities (Borzaga, Fazzi and Galera, 2016).

Interestingly, the first initiatives were set up with little or no input from public policies. When the first social enterprise initiatives emerged, the Italian welfare system was facing the initial symptoms of financial crisis, and the public and private supply of social and personal services was limited, predominantly public, standardized and poorly managed. Except for health and educational services, most public spending was allocated in the form of cash benefits (mainly pensions) and non-profit organisations were primarily involved in advocacy functions (mainly for the benefit of their members).

The new initiatives were boosted by a strong tradition of civic engagement, which has its roots in a tradition of volunteering, self-help activities and associative activity dating back to the pre-war period. This tradition was revitalized in the 1960s-1970s by new social movements advocating social justice in the face of the profound transformations then affecting Italian society. At the same time, a key role in supporting the development of new initiatives was played by Catholic groups. A number of activists, inspired by either religious or civic engagement, became the promoters of new bottom-up initiatives aimed at advocating the rights of vulnerable social groups. They set up new organisations relying heavily on volunteers and aimed at supplying welfare services and integrating disadvantaged people into work. Innovative initiatives included rehabilitation communities for drug addicts, shelters for homeless people and home-based services for the elderly.

Over the years, such initiatives have grown dramatically in number, stimulating a collective debate as to the most suitable organisational arrangement for best exploiting the contribution from civil society. Since associations and foundations were legally prevented from performing economic activities in a stable and continuous manner, the spontaneous groups of citizens that voluntarily committed themselves to providing social services chose to institutionalize their activity in the form of cooperatives ⁽²⁾, contributing

⁽¹⁾ Religious organisations are included in this group. They can be regarded as foundations, with the difference that they are owned by religious orders, which appoint the members of their governing bodies.

⁽²⁾ Cooperatives in Italy are considered quasi-non-profit organisations. The Italian Constitution of 1946 recognized that cooperatives may have a social or community function and established that they must observe a profit distribution constraint. Later on, the same constraint has been provided for social cooperatives in related legislation.

to the shaping of a new type of cooperative: the social (solidarity) cooperative. Over the last three decades, social cooperatives have multiplied, helping to change the Italian welfare landscape.

The impressive development of social cooperatives is attributable to a number of enabling conditions. These include the ability of cooperatives to develop in a unitary movement thanks to the support of the cooperative movement, the establishment of a favourable legal framework (to be discussed in Section 2.2) and the decentralization of public competences, which paved the way for the public financial support for the provision of social services by social cooperatives. The increasing integration of social cooperatives in the welfare system has contributed, on the one hand, to impressive growth in the size of the social cooperative sector and to an increase in the degree of coverage of social needs. On the other hand, the strong relationships that social cooperatives have established with public bodies have also led to a progressive weakening of their autonomy, pushing several of them to adopt the organisational culture and managerial practices of the public sector. These isomorphic pressures have inevitably eroded the civic activism that marked the first social enterprise initiatives (Borzaga and Galera, 2014). This is, however, not the case with all social cooperatives. Empirical research reveals that many social cooperatives, especially those engaged in work integration, have maintained solid ties with the community through governance models that involve a plurality of stakeholders, including volunteers (Borzaga and Depedri 2015; Fazzi, 2012). Moreover, a new generation of social cooperatives, strongly rooted in forms of collective awareness, is emerging in innovative fields outside the traditional social service sector. New areas in which social cooperatives are expanding include the management of social housing and social tourism, the regeneration of areas and recovery of unused lands, and the marketing of organic and ethical products harvested by solidarity purchase groups (Borzaga, Fazzi and Galera, 2016).

Furthermore, the spectrum of social enterprise has been enriched over the years by additional organisations, particularly associations and foundations engaged in the delivery of welfare services, which are the most widely dispersed and show a very high development potential. Some legislative changes have progressively allowed associations and foundations to conduct economic activities, thus modifying the regulation that prevented them from running such activities on a continuous basis and as their predominant activity. This change paved the way for the engagement of a growing number of associations in the delivery of general interest services, especially in the domains of culture, sport, recreational and research and health, and represents an increasingly relevant component of the social enterprise area. A noteworthy addition to these are the traditional cooperatives whose salient feature is community development, and limited liability companies pursuing explicit social aims, which mainly deliver education/training, welfare/health and environmental/cultural services.

2. CONCEPT, LEGAL EVOLUTION AND FISCAL FRAMEWORK

2.1. Defining social enterprise boundaries

2.1.1. The EU Operational Definition of Social Enterprise

This report draws on the organisational definition as included in the Social Business Initiative of 2011 that was further operationalized by the Mapping Study (EU Commission, 2014).

As defined by the Social Business Initiative of 2011, 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 by social entrepreneurs 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:

- the entrepreneurial dimension
- the social dimension
- the 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 a previous stage of this study (see Annex 1 for more details).

2.1.2. Application of the operational definition of social enterprise in Italy

The concept of 'social enterprise' was introduced in Italy earlier than elsewhere to designate the first 'social solidarity cooperatives' which emerged from the voluntary initiative of groups of citizens to undertake economic activities that were part of a social project. The innovative reach of these initiatives was attributable to two distinctive features: (i) the search for direct participation by stakeholders – including volunteers – through new democratic forms of management (multi-stakeholder), and (ii) the widespread use of the cooperative form in activities generally managed in other countries by associations and foundations.

The concept of social enterprise has been refined over the last three decades through the relatively intense legislative activities designed to regulate this new type of enterprise. The legal evolution has led to a clear definition of the key features that social enterprises must display, and this is in line – although more precise and restrictive – with the definition of social enterprise delivered by the Social Business Initiative in 2011.

The main turning point in the development of social enterprise in Italy was the adoption of key legal reforms at the end of the 1980s and the beginning of the 1990s, which created conditions for the engagement of private entities in the delivery of welfare services.

2.2. Legal evolution

The first key action creating conditions for the progressive emergence and widespread development of social enterprises in Italy was **Constitutional Court ruling 396 of 1988**. This ruling established the unconstitutionality of the Crispi Law (Law 6972/1890), providing that welfare activities had to be organized exclusively by public entities. In

essence, the Constitutional Court pressed the Parliament to identify adequate legal forms suitable for the management of welfare services.

It is interesting to note that the new cooperatives that emerged bottom-up and that were only subsequently recognised by law differed from traditional ones in the goals pursued. They did not aim to promote the interests of their members; rather, they provided solidarity with people in need who had been neglected by public policies. Unlike traditional cooperative forms, the new cooperatives included volunteers in their membership. For these reasons, their diffusion inevitably faced various obstacles, which were subsequently overcome thanks to the contextual support of the cooperative movement, which began lobbying for legal recognition of these distinct characteristics, and some local administrators who felt the pressure of a growing demand for social services that they were unable to meet. The new cooperatives, which in the mid-1980s amounted to around 600 (according to the first research on social co-ops)⁽³⁾, operated alongside voluntary organisations, which often transformed themselves into cooperatives as soon as their activity increased in importance and stabilization became unavoidable.

After more than 10 years of unregulated development, this new type of cooperative was recognized in 1991 under **Law 381/1991 on social cooperatives**. This law did not just recognize a new form of cooperative not fully in line with the provisions of the Civil Code and which had been developing since the 1970s: it introduced a new type of enterprise with an explicit social aim⁽⁴⁾. According to Law 381, the purpose of social cooperatives is to 'pursue the general interest of the community in the human promotion and social integration of citizens'.

In fact, Law 381 recognizes two types of social cooperative, according to whether they manage social-welfare or educational services (A-type social cooperatives) or undertake other agricultural, manufacturing or commercial activities or deliver services (other than social) for the work integration of disadvantaged persons (B-type social cooperatives). Both types are entrepreneurial in nature and perform productive activities. The former can operate only in the provision of social services, while the latter have a specific focus on the employment of 'disadvantaged workers', who must constitute at least 30 % of their employees and for whom the cooperatives are exempted from payment of national insurance contributions. Examples of A-type, B-type and mixed A- and B-type social cooperatives are provided in Annex 2 (Illustrations 1, 2 and 3).

Moreover, the prevalence of the non-profit aim depends not only on the decision of the founding members but is enforced by law through the partial profit distribution constraint and the prohibition on changing legal form (i.e. social cooperatives cannot demutualize and become for-profit enterprises nor can they adopt a different cooperative form).

Over the years, social cooperatives have become key players in the Italian welfare system and an important sector of the Italian economy. Since they were first created, these organisations have registered an average annual growth rate ranging from 10 % to 20 %, which was only slightly affected by the economic and financial crisis.

While Law 381 had a role in both clarifying the identity of social cooperatives and simplifying their establishment, other acts progressively contributing to creating a public demand for the services provided by social cooperatives are also noteworthy in that they permitted local administrations to outsource the production of services to private organisations.

Two acts that had a role in clarifying the modalities whereby local administrations can manage the welfare services falling within their competences are Law 142 and Law 241 of 1990. They offered municipalities willing to provide new social services the possibility to choose among different modalities, including the possibility to entrust the delivery of services to private providers. The poor experience of local authorities in organizing the

⁽³⁾ See Borzaga and Failoni (1990).

⁽⁴⁾ This generated uncertainty; while some courts approved cooperatives providing social services, some others did not.

provision of services, together with limitations on hiring additional staff imposed by the central government to limit public spending, prompted local authorities willing to increase the provision of services to enter into contracts with already existing or newly-created social cooperatives (Borzaga and Ianes, 2006).

Following these policy improvements, the process of contracting out the production of social services to social cooperatives increased substantially. By contributing to the creation of new markets for social services and recognizing the entrepreneurial character of the new initiatives, public contracting was a key element that stimulated the dramatic growth in the number and size of social cooperatives.

The impressive development of social cooperatives has not prevented the emergence of other types of non-profit organisations, such as operating foundations, or the transformation of pre-existing organisations into social enterprises. These include several associations that were previously engaged mainly in advocacy and voluntary activities, and which have started to provide social services or have turned social service provision into one of their main activities. All this explains the introduction of a more general law concerning the organisations that are entitled to perform social enterprise activities and the admissible fields of engagement. The new legal framework on social enterprise – **Law 118/2005 and Legislative Decree 155/2006** – introduces the principle of pluralism of organisational forms and does not consider legal form as a condition for eligibility as a social enterprise. The law introduces a legal category of 'social enterprise' and a more diverse range of activity sectors. Thus, the Law allows an organisation to be legally recognized as a social enterprise regardless of its legal form, provided it complies with the following criteria:

- it is a private legal entity;
- it engages in the regular production and exchange of goods and services having 'social utility' and seeking to achieve a public benefit purpose, rather than to generate a profit (an organisation is considered a social enterprise if it generates at least 70 % of its income from entrepreneurial activities (i.e. production and exchange of goods and services having social utility); and
- the enterprise can make profit but cannot distribute it to its members or owners (non-distribution constraint). Profits have to be reinvested to further its main statutory (public benefit) goal, or to increase its assets.

In addition, *ex lege* social enterprises need to comply with a number of good governance principles such as transparency, openness and participatory decision-making.

The innovative character of the law consists of the opening up towards new sectors of activity other than welfare, and the variety of the types of enterprises eligible to become social enterprises. As compared to the social cooperative legal form, the social enterprise legal category covers a wider range of activities, namely: (i) welfare; (ii) health; (iii) social care; (iv) education, instruction and professional training; (v) environmental and eco-system protection; (vi) development of cultural heritage; (vii) social tourism; (viii) academic and post-academic education; (ix) research and delivery of cultural services; (x) extra-curricular training; and (xi) support for social enterprises. Examples of *ex lege* social enterprises are provided in Annex 2 (Illustrations 5 and 6).

As stated above, the law crosses the boundaries of legal and organisational forms, enabling various types of organisation (not only cooperatives and traditional non-profit organisations, but also limited liability companies, for instance) to obtain the 'legal brand' of social enterprise, provided they comply with the non-distribution constraint and ensure the representation of certain categories of stakeholders, including workers and beneficiaries.

The law also states that associations and foundations that want to register as social enterprises must provide evidence of their entrepreneurial nature; conversely, joint stock and limited liability companies applying for the social enterprise brand have to comply with certain requirements regarding the distribution of benefits (namely, respecting a total non-distribution constraint) and participation of relevant stakeholders.

Nevertheless, the law seems to have met with some resistance from eligible organisations, due to prevailing cultural prejudices, the increased costs faced by associations willing to register as social enterprise and the lack of fiscal advantages, including those already awarded to social cooperatives. As a consequence, social cooperatives, associations and foundations that are *de facto* social enterprises have, on the one hand, kept on growing in terms of numbers, turnover, and people employed. On the other hand, the number of organisations qualified by law as social enterprises has remained rather low when compared to the number of organisations that could potentially qualify as social enterprise.

It is also important to mention the case of mutual aid societies. These organisations were one of the pillars of the health sector until the 1978 reform that introduced a universal public health system. Following this reform, most of the health services delivered, premises owned and workers employed by mutual aid societies were taken on by government authorities as part of the process of constructing the Italian public health system. Only a few mutuals managed to survive providing integrative insurance services to their members, while continuing to be regulated under Law 3818/1886. Over the last decades, following a progressive contraction in the coverage of demand for health services by the public system, the interest in these institutions has re-emerged and new mutual health societies have been established. As a result of this renewed interest, mutual aid societies were recently taken into consideration by the Government which required them to register in the social enterprise section at the Companies Register under Legislative Decree 179/2012 and the Decree of the Ministry of Economic Development dated 6 March 2013 ⁽⁵⁾.

An additional legal evolution was introduced by Law 208/2015 (referred to as the Stability Act 2016), which created the qualification of 'benefit corporation' (*società benefit*). According to this law, the qualification of 'benefit corporation' may be assigned to all enterprises that jointly pursue a profit aim and one or more common benefit. However, since their main aim is to pursue the interest of investors, they do not comply with the non-profit distribution constraint and they are not required to have inclusive governance, they cannot be included in the social enterprise universe. Given their regulation by law, they can be regarded as a form of institutionalised corporate social responsibility ⁽⁶⁾.

Key changes have recently been introduced by **Law 106/2016 reforming the 'Third Sector'** ⁽⁷⁾. This law provides a common framework for the sector with a view to overcoming its fragmentation from different perspectives, including fiscal ones. By safeguarding the non-lucrative mission of social enterprise, recognising *ope legis* the qualification for social cooperatives and their consortia and rendering the social enterprise qualification more attractive to potential investors, Article 6 of the new law is expected to make a more significant contribution towards supporting social enterprise development.

According to the social enterprise qualification introduced by Law 106/2016, which is in line with the Social Business Initiative definition, a social enterprise is defined as a 'private organisation that runs entrepreneurial activities for civic, solidarity and social utility purposes and allocates profits principally to achieve its corporate purpose by adopting responsible and transparent management modalities and favouring the largest

⁽⁵⁾ For more details on the legal framework governing mutual aid societies, see Petrelli (2005).

⁽⁶⁾ Benefit corporations should not be confused with the B-Corp certification, which is offered by the private US-based organisation B-Lab.

⁽⁷⁾ Law 106/2016 is referred to as the "reform of the Third Sector, social enterprise and regulation of the international civil service". The term "Third Sector" is here defined as "the group of private entities pursuing civic, solidarity and social aims that are not profit oriented. These entities implement the principle of subsidiarity consistently with their statutes and support and carry out general interest activities through different types of activity, whether voluntary, payment-free, mutual oriented or production and trading related". Law 106/2016 makes a clear distinction between the non-profit sector (which also includes political associations/parties, trade unions, professional associations and associations representing particular economic interests) and the above mentioned organisations belonging to the "Third Sector".

possible participation of employees, users, and other stakeholders interested in its activities’.

The law replaces the total distribution constraint with the remuneration caps foreseen for social cooperatives: while allowing investors to be remunerated, the law ensures that the profits generated are mainly reinvested to achieve general interest aims. The law also redefines and enlarges the fields of engagement and the categories of disadvantaged workers integrated and it provides for the recognition of benefits based on the degree of disadvantage such workers face.

Another important change aimed at encouraging the adoption of more inclusive governance models is the possibility that private enterprise and public authority representatives are appointed to the board of social enterprises without directing or chairing them. Finally, the law supports the introduction of targeted measures aimed at attracting investments.

That said, the impact of the reform on both the ‘Third Sector’ and the social enterprise field will depend upon the implementation of subsequent decrees which will be adopted over the next year (2016-17). Implementation decrees are also expected to improve the fiscal framework, which is currently extremely fragmented. Indeed, depending on the legal form covered, social enterprises enjoy different tax regimes.

Table 1. Legal evolution of social enterprise in Italy

Year	Type of legal act	Description – main aim
1988	Constitutional Court ruling 396	Establishes unconstitutionality of Law 6972/1890 (Crispi law) providing that welfare activities had to be organized exclusively by public entities.
1991	Law 381 (on social cooperatives)	Acknowledges a new co-op form explicitly aimed at pursuing the general interest of the community (A-types provide social, health and educational services; B-types integrate vulnerable persons into work). Social co-ops must cap dividends and comply with a total asset lock
2005-06	Law 118/2005 and Legislative Decree 155/2006 (on social enterprises)	Allows the establishment of SEs under a plurality of legal forms (association, foundation, cooperative, shareholder company) and enlarges the set of activities of social enterprises.
2012-13	Legislative Decree 179/2012 and Decree of the Ministry of Economic development of 6 March 2013	Introduces a total distribution constraint and asset lock. Establishes the conditions under which mutual aid societies must register in the social enterprise section at the Companies Register.
2015	Law 208/2015 (Stability Act of 2016)	Introduces the status of benefit corporation (<i>società benefit</i>), which qualifies enterprises that are profit-oriented but also pursue one or more general interest aims, thus supporting the development of social entrepreneurship initiatives.
2016	Law 106/2016 (Reform of the ‘Third Sector’, social enterprise and universal civil service)	Art. 6 aims at re-launching social enterprise. It Introduces a new qualification of social enterprise.
Over the years	Progressive recognition of the possibility of associations and foundations running economic activities when consistent with their institutional activities	

There are no marks, labelling schemes or certification systems for social enterprises in Italy. There are, however, systems for social reporting which are specifically targeted at social enterprises *ex lege* and social cooperatives.

As established under Law 155/2006 and the related implementing decrees, social cooperatives and *ex lege* social enterprises must compile a social report (*bilancio sociale*) every year, following the guidelines provided by the Ministry of Labour and Social Policy. The reports – to be deposited at the Companies Register of the Italian Chambers of Commerce – are aimed at providing information about the compliance of the social enterprise with its social objectives and identifying the added value generated and its distribution within the reference community. Besides describing the mission of the organisation, the reports also cover the resources used, the results achieved and the impacts generated by the organisation's activities.

2.3. Fiscal framework

The fiscal framework for social enterprises – as for the non-profit sector in general – is fragmented, as they enjoy different tax regimes depending on the legal form adopted. The main distinction is between associations and foundations on the one hand and social cooperatives on the other hand.

The fiscal framework of associations and foundations is not consistent with their shift towards a stronger entrepreneurial stance. Rather than being based on compliance with specific criteria such as the non-profit distribution constraint or general-interest aims pursued, exemption from corporation tax (IRES) and VAT is awarded on the basis of the non-commercial nature of the activities carried out. In principle, the criteria for tax exemption is the relevance of the commercial activities over one fiscal year: when marginal, fiscal benefits are granted. With a view to overcoming fiscal fragmentation and inconsistency, Legislative Decree 460/1997 has introduced the fiscal category of 'ONLUS' (non-lucrative organisations) which is by law granted to voluntary organisations, social cooperatives and NGOs accredited by the Ministry of Foreign Affairs. Furthermore, the Decree provides that given activities, as well as those related to institutional activities or contracted out by public authorities, are by definition classified as non-commercial. As a result they are not taxable. Additional legal changes introduced provide that transfers to ONLUS are not subject to inheritance taxation and donations are tax-deductible.

Social cooperatives enjoy a clearer and more favourable fiscal treatment. They are exempted from payment of IRES on retained profits, and this has actually contributed to strengthening the capitalization of social cooperatives. When compared to the standard VAT rate charged to conventional enterprises (22 %), A-type social cooperatives charge a nil or 5 % VAT rate⁽⁸⁾. Furthermore, B-type social cooperatives are exempted from the payment of national insurance contributions for the disadvantaged workers they have integrated, and since they are ONLUS by law, donations made to them are tax-deductible.

Table 2. Fiscal framework for social enterprises in Italy

Reduced social security contributions/costs	Tax exemptions and lower rates	Tax reductions to private and/or institutional donors
<i>WISEs</i> are exempt from the payment of social insurance contributions for the disadvantaged workers they have integrated.	<i>Social co-ops</i> are exempted from payment of corporate tax (IRES) and enjoy a favourable VAT rate. Certain activities run by <i>associations and foundations</i> that qualify fiscally as an ONLUS are not taxable as they are classified by definition as non-commercial. <i>Innovative social startups</i> are entitled to specific fiscal advantages ⁽⁹⁾ .	Donations to <i>social cooperatives</i> and other social enterprise that qualify as an ONLUS are tax-deductible

⁽⁸⁾ 5% VAT rate for social cooperatives was introduced by Law 208/2015 (Stability Act of 2016). The quota was previously 4%.

⁽⁹⁾ See Section 4.2.3 for a detailed description of innovative social startups (SIAVS).

3. MAPPING

3.1. Measuring social enterprises

Consistently with the definition of social enterprise provided by the Social Business Initiative, the universe of Italian social enterprise comprehends both officially-recognized social enterprises (social cooperatives and social enterprises *ex lege*, including shareholder companies fulfilling the legal criteria set by the social enterprise law) and organisations complying with the operational definitions but falling outside the legal frameworks specifically designed for social enterprises. These include associations and foundations pursuing social aims and oriented towards productive activities, religious institutions engaged in the provision of educational, health and social services, and traditional cooperatives with explicit social aims.

Although assessing the size of the entire social enterprise universe and its evolution over time is a rather difficult task, an almost complete estimation can be made. Full data is available for social cooperatives in the timeframe 2003–14, while for associations and foundations full data is available only for 2011. Data on social enterprises set up as other legal forms are incomplete and there are no data available for traditional cooperatives pursuing general-interest aims.

This section maps the scale and characteristics of social enterprise in Italy. It also describes the role and activities of social enterprises in contemporary society and the key enabling factors and constraints influencing their development.

3.1.1. The spectrum of social enterprise in Italy

As illustrated by Figure 1, the spectrum of social enterprise in Italy includes both legally-recognised and *de facto* social enterprises.

Figure 1. Spectrum of social enterprise in Italy

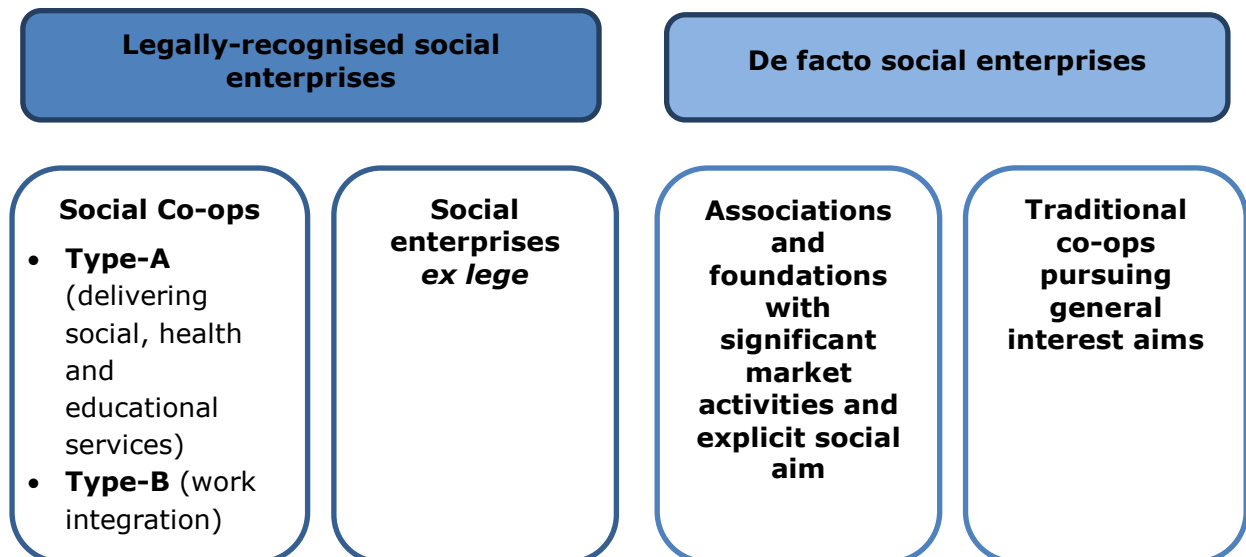


Table 3 maps the characteristics of the two legally-recognised forms of social enterprise in Italy against the core criteria set by the EU operational definition in order to identify commonalities and differences between the national concepts and the EU concept.

Table 3. Mapping the legally-recognised social enterprises in Italy against the EU Operational Definition

Dimension	Criterion	<i>Ex lege</i> social enterprises	Social co-ops
Economic	Engagement in economic activity	<u>Identical condition</u> : social enterprises perform an entrepreneurial activity (Art. 1 of Legislative Decree 155/2006).	<u>Identical condition</u> : cooperatives are enterprises engaged in economic activities (Art. 2511 and 2082 of the Civil Code).
Social	Explicit and primary social aim	<u>Similar definition</u> : the pursuit of a social aim is defined by law. Operationalization of social aims by listing sectors of activities or employment integration (Art. 2 of Legislative Decree 155/2006).	<u>Narrower definition of social aims</u> : stronger focus on fulfilling social integration objectives.
Governance	Limits on profit distribution	<u>Narrower condition</u> : no distribution among owners/shareholders, employees or members (Art. 3 of Legislative Decree 155/2006). Income must be reinvested in the core business or in increasing the assets of the organisation.	<u>Similar condition</u> : social cooperatives are allowed limited profit distribution. This condition is operationalized by defining limits on profit distribution (Art. 2545-quarter of the Civil Code).
	Asset lock	<u>Identical condition</u> : no distribution of assets or parts of assets to owners/shareholders, employees or members.	<u>Similar condition</u> : any surplus assets minus the dividends possibly accrued for the members must be allocated to mutual funds for the promotion and development of cooperation. Members can receive only what it is owed to them in connection with dividend payments.
	Organisational autonomy from the State and mainstream enterprises	<u>Similar condition</u> : public or private legal entities may become members (Art. 6 of Law 106/2016). A social enterprise is a private collective initiative.	<u>Similar condition</u> : public or private legal entities with the statutory objective of financing and supporting social cooperatives may become members of social cooperatives (Art. 11 of Law 381/1991).
	Inclusive governance - democratic decision-making and/or participatory governance	Social enterprises do not need to be governed by democratic principles; their governance will ultimately depend on the choice of institutional form (association, foundation, social cooperative, or company). Regardless of the institutional form, however, social enterprises must involve workers in the governance of the organisation (Art. 12 of Legislative Decree 155/2006). This obligation is broadly construed so as to include any information sharing, consultation or participation process through which workers and customers can at least have a say on issues relating to the working conditions and quality of goods and services provided. A social enterprise is obliged to detail the consultation processes in its 'social balance sheet'.	A social cooperative must have a general assembly, a board of directors and a supervisory body, or an external auditor. Every member has one vote in the general assembly, regardless of his contribution to the capital, in conformity with the principle of democratic governance. However, there are some exceptions. Although the law does not oblige social cooperatives to be multi-stakeholder organisations, 70 % of them involve diverse types of stakeholders in their membership and one-third of them include workers, volunteers and other types of stakeholders in their board of directors. Social cooperatives also tend to be involved in networks and collaborations with local institutions and the community (Borzaga, 2012).

3.1.2. Data on social enterprises

The main sources of data on social enterprises in Italy include:

- The National Institute for Statistics (*Istituto Nazionale di Statistica*, ISTAT): in its 'Industry and Services Census' (henceforth the ISTAT Census), Istat publishes structural data on enterprises, including figures on the number of active enterprises, employment, the legal form adopted by social enterprises and the main activities carried out. The Census includes a section on the non-profit sector that provides information on the main legal forms covered by non-profit organisations in Italy, namely social cooperatives, associations, foundations, and other non-profit organisations such as religious institutions (ISTAT 2013; 2014). The latest census provides data for the year 2011; the previous census referred to 2001.
- The National Institute of Social Security (*Istituto Nazionale di Previdenza Sociale*, INPS): the INPS provides data on the number of people employed both in public and private Italian organisations.
- The National Network of Research Institutes on Social Enterprises (Iris Network): the Iris Network's first report on social enterprises was published in 2009 (Borzaga and Zandonai, 2009), the second in 2012 (Venturi and Zandonai, 2012a), and the third in 2014 (Venturi and Zandonai, 2014). The reports define social enterprises as organisations that are officially registered as social cooperatives and social enterprises at the Italian Chambers of Commerce.
- The European Research Institute on Cooperative and Social Enterprises (Euricse): social enterprise data processed by Euricse draws on the AIDA (*Analisi Informatizzata delle Aziende*) database created by the Bureau Van Dijk and on INPS data.

Based on the operational definition and abstract data drawing on the abovementioned sources, particularly on the 2011 ISTAT Census, it is possible to provide a good estimate of the size of each social enterprise type. The data refer to social cooperatives, *ex lege* social enterprises and associations and foundations with market activity⁽¹⁰⁾.

No data is available on traditional cooperatives that have not registered as social enterprise, even though they may pursue explicit social aims.

For the sake of homogeneity, most data refer to year 2011. However, in order to demonstrate the dynamism of social cooperatives, updated data referring to this particular type of social enterprise are also provided for the period up to 2014.

The following sections focus on each legal type, namely: social cooperatives, associations and foundations, mutual aid societies, *ex lege* social enterprises and traditional cooperatives.

- *Social cooperatives*

By cross-referring ISTAT Census data with INPS data and the economic-financial data stored in the Chambers of Commerce, Agriculture, Industry and Craftsmanship, it is possible to provide a fairly accurate picture of the Italian social cooperatives. According to the 2011 ISTAT Census, there were 11,264 social cooperatives, accounting for 18.3 % of the total number of active cooperatives, and 3.2 % of the overall number of non-profit institutions. Social cooperatives are localized mostly in the Northern regions (40.4 %), followed by the Southern (25.2 %), Central (18.8 %) and the Islands (15.5 %).

Social cooperatives engaged in the provision of services (A-type cooperatives) represent the 60.3 % of the overall number of social cooperatives, while 30.8 % of social cooperatives integrate disadvantaged people into work (B-type). The remaining 5.3 % are mixed A&B social cooperatives (they provide both social and work integration services) and 3.6 % are consortia. This distribution is also reflected in the analysis conducted by sector of activity: around 54 % of social cooperatives operate in sectors

⁽¹⁰⁾ Based on ISTAT criteria, more than 50% of the activity of associations and foundations must be market activity in order for them to qualify as social enterprises. The term 'market' refers to any exchange that results from a contractual agreement.

typically associated with A-type social cooperatives or, more precisely, 39.5 % in the social service sector, 8 % in education and research, and 6.6% in sport, cultural and recreational activities. A further 32.4 % are engaged in economic development and social cohesion.

According to the ISTAT Census data, social cooperatives employed 365 006 paid workers in 2011 (Borzaga et al., 2015). The overall number of people employed by social cooperatives is one third of the workers employed by the entire cooperative sector and little less than 40 % of the workers employed by non-profit institutions. It is interesting to note that although social cooperatives represent only 3.2 % of the overall number of non-profit organisations, they show a significant employment potential. Furthermore, it should be highlighted that in 2011 more than 40 000 volunteers offered their services in social cooperatives.

INPS data allow for both an extension of the analysis over a longer time span and an evaluation of the impact of the crisis on the occupational dynamics of these cooperatives. According to INPS data, at the end of 2011, social cooperatives had activated 381 248 payroll jobs, 71.9 % of which were permanent positions and 18.9 % of which were temporary or seasonal jobs⁽¹¹⁾(Carini and Borzaga, 2015). Finally, B-type and mixed A&B-type social cooperatives employed more than 24 000 disadvantaged workers, accounting for 29.3 % of the overall number of paid workers of such social cooperatives⁽¹²⁾.

Table 4. Main data on social cooperatives

	2003	2005	2011
Number of social co-ops	5 515	7 363	11 264
Paid workforce	189 134	244 233	365 006
Disadvantaged workers	23 587	30 141	30 534*
Users	2 403 245	3 302 551	6 000 000
Total turnover (mln EUR)	4 826	6 381	11 157

Sources: ISTAT (2003, 2005 and 2011); * Euricse (2013).

Particularly interesting is the positive occupational dynamics of social cooperatives during the economic crisis, especially when compared to rest of the economy. Between 2008 and 2014, the overall number of employees of social cooperatives increased from 340 000 to 407 000, registering a growth of 20.1 %. Data provided by INPS show that, between 2008 and 2014, the number of payroll jobs related to permanent positions increased by 25.7 % (against +15.3 % for the cooperative sector overall) and the number of temporary positions increased by 19 % (against +3.5 %), whilst the occupational dynamics for collaboration contracts decreased by 20 %.

As regards the economic dimension of social cooperatives, data from the Company Registers at the Chambers of Commerce show that the 14 342 social cooperatives whose 2014 financial report was in the AIDA dataset generated an overall value of production of around EUR 12.4 billion, and made investments amounting to 10.3 billion EUR. In 2011, 72.4 % of the overall number of social cooperatives registered a value of production lower than EUR 500 000. It is interesting to note that the social cooperatives registering a value of production higher than one million euro generated the 77.9 % of the overall value produced in that year. In addition, economic and financial data confirm the relevance of the social assistance and healthcare sectors, which generated the 69.9 % of the total value of production (Carini et al., 2013).

⁽¹¹⁾ The remaining 9.2 % refers to non-standard work contracts (e.g. in-house consultants, workers temporary employed to carry out a specific project, etc.)

⁽¹²⁾ As far as B-type social cooperatives alone are considered, they employed 21 942 disadvantaged workers.

As far as the composition of revenues is concerned, ISTAT data confirm the entrepreneurial nature of social cooperatives: during 2011, market activities accounted for the 93 % of their overall income. In detail, Census data show that 65.3 % of income was generated by contracts with public institutions and 27.7 % by sales of goods and services to private customers. The income generated from public grants and donations was negligible. The analysis focusing on cooperative types shows that A-type cooperatives rely mainly on public contracts: 68 % of total income against 54.4 % registered by B-type cooperatives.

All available data confirm that during the economic crisis, social cooperatives have been distinguished by a counter-cyclical trend. They have managed to increase both turnover and employment, and have continued to invest. Up until 2012, social cooperatives were growing in number, but over the following years many social cooperatives reacted to the crisis through a series of mergers. Cuts in both public and private resources coupled with unchanging levels of turnover and maintenance of employment levels and services delivered have resulted in a gradual reduction of profit margins. However, this has not caused a decrease in the levels of capitalization or in the levels of employment.

Capitalization has conversely increased thanks to growth in members' capital contributions. A recent analysis conducted on financial budgets of a representative sample of more than 7 100 social cooperatives found that, from 2008 to 2012, social cooperatives increased the value of production by 32.4 % while staff costs – and proportionally employment – rose by 35.6 %. However, social cooperatives have registered a decrease in operational margins of 91.7 %, from EUR 73 million to EUR 6 million over the same time span (Italian Cooperative Alliance, 2014). In essence, as a reaction to the reduction of margins, the typical practice of allocating profits to reserves has been replaced by capital increases – usually directly provided by worker-members – which grew by 59.1 %, rising from EUR 258 million in 2008 to EUR 410 million in 2013.

As regards the different typologies of needs addressed, it should be borne in mind that social cooperatives support a wide range of target groups. About 70 % of social cooperatives offer social services to the wider community; 30 % facilitate the work integration of disadvantaged groups such as the physically or mentally disabled, current or former psychiatric patients, drug and alcohol addicts, young individuals from troubled families, migrants, asylum seekers, and criminals sentenced to punishments that are alternatives to detention.

- *Associations and Foundations*

Based on the ISTAT Census of 2011, the number of non-profit institutions other than social cooperatives – associations, foundations, and other organisational types⁽¹³⁾ – stood at 289 927, out of which 82 231 (28 %) had at least 50 % of their costs covered by revenues resulting from the sale of goods and services to private entities or public bodies based on contractual arrangements. More specifically, 28 % of associations, 35 % of foundations and 35.5 % of religious institutions can be regarded as social enterprises. When compared to social cooperatives, the group of associations and foundations consistently engaged in economic activities is much more diversified, because it ranges from very small organisations to large entities which manage hospitals and important research centres.

However, the 82 231 associations and foundations running market activities generated EUR 33 billion of total revenues in 2011 – which is three times the total revenue generated by social cooperatives. Associations and foundations that carry out market activity employ 451 736 paid workers, amounting to 60 % of the overall number of workers employed by all associations and foundations. One distinctive feature

⁽¹³⁾ This group also includes religious institutions, mutuals, committees and other forms of non-profit enterprises. These are considered residual forms as they account for less than 5 % over the total number of organisations belonging to this group.

characterizing associations and foundations is the much higher presence of volunteers: over 1 640 000. In addition to this, and in contrast to social cooperatives that strongly rely on public resources, associations and foundations are mainly financed by private resources (77 %, which is equal to 63 000 organisations).

- *Mutual aid societies* ⁽¹⁴⁾

Mutual aid societies were originally set-up in the second half of the nineteenth century following the example of similar initiatives in neighbouring European countries (Petrelli, 2005). They were made up of people volunteering to contribute to a fund with non-profit aims (Rago, 2012). These organisations mainly provide grants with a view to assisting their members in case of illness, temporary or permanent disability or old age, and generally in case of events affecting their life and work capacity. Mutual aid societies have gradually decreased in importance and social significance during the twentieth century, due to the creation of the national health system. However, some changes in public health service provision and in social security schemes have stimulated a renewed interest in these organisations which is expected to further boost their development. According to the Iris Network (Venturi and Zandonai, 2014), 109 mutual aid societies were registered as social enterprise in 2014 ⁽¹⁵⁾.

- *Ex lege joint stock and limited liability social enterprises*

Under the Civil Code definition of 'entrepreneur', it was not possible, until the law on social enterprise was approved, to set up businesses in the form of non-profit organisations and in particular businesses with an explicit, although voluntary, total or partial constraint on the distribution of profits. Following the introduction of Law 118/2005 and Legislative Decree 155/2006, it is now also possible to set up social enterprises in the form of joint stock companies and limited liability companies.

At the end of 2013, the number of private organisations assuming the form of a social enterprise by registering in the 'L' section of the Companies Register (Italian Chambers of Commerce) amounted to 774, including 228 social cooperatives and 11 associations/foundations. Out of the 774 registered social enterprises, only 235 (30 %) are joint stock or limited liability enterprises. The remaining organisations are mainly social cooperatives that have decided to qualify as social enterprises, and mutual aid societies (that are required to join the Register by Law 221/2012, Article 23).

A recent investigation conducted by the Iris Network (Venturi and Zandonai, 2014), shows that conventional enterprises that have registered as social enterprises are mostly located in the Southern regions of the country (47.5 %), and are mainly engaged in pre-school education and other education and training activities (55 %). To a lesser extent, they are engaged in the care and health domains (22 %, mainly in medical and dental services). Although the law on social enterprise allows for an enlargement of the domains traditionally occupied by social cooperatives, this opportunity has not yet been fully exploited. The only innovations are to be found in the following sectors: health, environment, cultural production, protection of cultural heritage and social tourism (13 %). Conversely, when compared to social cooperatives, the main sources of income of these types of social enterprise derive from the sale of services to private users and families rather than from public contracting.

Limited liability and joint stock companies that qualify as social enterprises are on average smaller than the other social enterprise types, in particular social cooperatives (which have less than 16 workers on average). Moreover, they are not particularly dynamic and have little inclination for innovation and new investment. Most of the innovations introduced are actually aimed at improving the quality of the services provided (Venturi and Zandonai, 2014).

⁽¹⁴⁾ For the sake of consistency with the available ISTAT data, mutuals are counted in the group of de facto social enterprises referred to as associations/foundations together with other residual types of non-profit organisations.

⁽¹⁵⁾ Recent research has led to the identification of 1, 114 mutual aid societies in Italy, out of which 509 can be considered active, as they perform non-occasional activity to members who pay annual fees (Isnet, 2016).

- *Traditional cooperatives*

Social cooperatives are not the only cooperative form committed to pursuing general interest aims. There are also a growing number of community cooperatives that deal with the provision of general-interest services to the community other than the ones usually offered by consumer cooperatives. However, it is still difficult to determine their number or their economic and occupational relevance (Euricse, 2016).

3.2. Social enterprise characteristics

3.2.1. Sources of income

Social enterprises have diversified in both the typology of users and the sources of income over the last decade. In 2011, revenues from public contracts amounted to 65 % of the total income of social cooperatives, while 28 % of revenues were generated from the sales of goods and services to private clients. The public sector therefore represents the main engine of development for social cooperatives. However, as explained by the social enterprises consulted for this study, the significant dependence of social cooperatives on public resources is currently affecting their growth, due to the decreased availability of funds in crucial areas such as social welfare, and the substantial delays in payment for the services offered. However, it should be noted that this situation applies mainly to A-type social cooperatives. B-type social cooperatives and associations/foundations rely mainly on private sources of income.

Table 5 illustrates the sources of income for social cooperatives, associations and foundations as a percentage of total 2011 income.

Table 5. Sources of income for social cooperatives, associations and foundations ⁽¹⁶⁾

	Public source of income		Private source of income					Total income (mln EUR)
	Public subsidies	Public contracts	Members' contributions	Sales of goods and services	Donations	Revenue from financial assets and real estate	Other private revenues	
Social co-ops	1 %	65 %	2 %	28 %	1 %	1 %	2 %	11 157
Associations	6 %	15 %	43 %	10 %	8 %	9 %	10 %	14 746
Foundations	6 %	34 %	7 %	17 %	11 %	19 %	6 %	11 120

Source: ISTAT Census (2011, data extracted on 19/09/2014)

The reaction to the financial and economic crisis has varied, depending on the type of social enterprise and the relative degree of dependence upon public funding. Some of the social cooperatives consulted for this study have recently faced substantial financial losses, forcing them to sell some of their assets (properties) to cover their increasing debts. In many cases, delays in payment from public authorities have led to these organisations being unable to pay their employees on time.

Conversely, some social cooperatives responded to these challenges by focussing on growth, improved internal efficiency and expansion into new sectors (Venturi and Zandonai, 2012b). For example, one social cooperative consulted for this study

⁽¹⁶⁾ Data on associations and foundations refers to the income of the overall number of organisations belonging to the universe of associations and foundations.

mentioned that it has diversified its client base by providing services to private companies in order to reduce its dependence on the public sector.

3.2.2. Use of paid workers and volunteers

Employment data on social cooperatives, associations and foundations are presented in Table 6.

Table 6. Use of paid workers and volunteers by social enterprise type

	Paid workers	Volunteers
Social co-ops (2011)	365 006	42 368
Ex lege social enterprises (2013)	29 000*	2 700
Associations & Foundations (2011)	451 642	1 640 000
TOTAL	845 648	1 685 068

Source: ISTAT Census (2011); *IRIS network (2014)

In terms of quality of employment, social cooperatives and *ex lege* social enterprises presented the following key characteristics in 2013 (Centro Studi Unioncamere and Si.Camera, 2014; Carini and Borzaga, 2015):

- A larger proportion of part-time staff, particularly female employees: in 2013, about 61 % of non-seasonal female employees in social enterprises were part time, as compared to 47.1 % in other enterprises. The propensity to hire part-time workers has increased over recent years: in 2010 part-time female workers accounted for 46.3 % of the total.
- A greater orientation towards hiring immigrant workers: in 2013, up to 20 % of non-seasonal employees in social enterprises were immigrants (persons with a nationality other than Italian), as compared to 15 % in other enterprises.
- A trend towards permanent contracts: in social cooperatives most workers are employed on permanent contracts (76.3 % of workers in 2013), while the percentage of occasional or short-term contracts is lower than in mainstream enterprises⁽¹⁷⁾.
- The increasing need to employ staff with planning, managing and commercial skills: between 2010 and 2013, the share of graduates hired by social enterprises increased from 21 % to 25 % of the total number of new employees. Additionally, 34 % of new hires in social enterprises were highly-skilled employees (management, scientific skills and other technical skills requiring a high level of specialisation), as compared to 17 % in other enterprises.
- Job satisfaction of workers: empirical research recently conducted on a sample of 320 social cooperatives based in the North of Italy shows that both ordinary and disadvantaged workers are satisfied with their jobs, and especially with their relationships with colleagues and supervisors, their autonomy in decision-making, their professional and personal growth, and the flexibility of their working hours (Depedri, Tortia and Carpita, 2012).

3.2.3. Fields of activity

The analysis of fields of activity is based on legal form, given the strong relationship existing between these two variables.

⁽¹⁷⁾ These data exclude enterprises that are engaged in the agricultural sector (NACE code A).

Social cooperatives deliver services mainly in the social care and work integration sectors, which account for 40% and 32 % respectively of all social cooperatives, and employ almost 75 % of all social cooperative employees.

Table 7. Main fields of activity of social cooperatives

Sectors	Organisations		Paid workers		Volunteers
	Total	%	Total	%	Total
Social care	4 452	40 %	170 617	53 %	17 959
Work integration	3 654	32 %	68 855	21 %	13 472
Health	1 192	11 %	54 327	17 %	4 867
Education and research	899	8 %	15 950	5 %	3 117
Culture, sport and recreational activities	747	7 %	6 518	2 %	2 111
Environment	128	1 %	1 881	1 %	166
Other	192	1 %	2 365	<1 %	676
TOTAL	11 264		365 006		42 368

Source: ISTAT Census (2011, data extracted on 18/02/2014)

Associations and foundations that carry out market activity and have at least one employee mainly deliver cultural, sport and educational services (37 %), with significant variations between the fields of activity. Conversely, half of the foundations (52 %) are engaged in the education and research sector.

Table 8. Main fields of activity of associations and foundations ⁽¹⁸⁾

	Associations	Foundations	Other
	%	%	%
Culture, sport and recreational activities	37 %	11 %	16 %
Education and research	19 %	52 %	29 %
Health	13 %	12 %	10 %
Social care and civil protection	15 %	20 %	25 %
Environment	3 %	0 %	3 %
Economic development and social cohesion	2 %	1 %	8 %
Other	12 %	4 %	10 %

Source: ISTAT Census (2011)

3.3. Summary of mapping results

The mapping exercise led to the identification of three organisational types that can be regarded as fully meeting the eligibility criteria: social cooperatives, *ex lege* social enterprises, and associations and foundations. Other organisations which may meet (fully or partially) the criteria are cooperatives (other than social cooperatives).

⁽¹⁸⁾ With at least 50% of income generated from market activities and at least one employee.

Table 9. Mapping the universe of social enterprises in Italy

Dimension	Criterion	Legally recognised forms of social enterprise		De facto social enterprises	
		Social co-ops	Ex lege social enterprises	Foundations	Associations
Entrepreneurial dimension	Share of income derived from: fees; trading income; rental income on assets; income from public contracting; grants and donations, etc.	Yes	Yes	Yes Some may do	Yes Some may do
	Distribution of profits and/or assets	Yes	Yes	Yes, Profit or other forms of benefits distribution are expected in favour of members or administrators	Yes
	Existence of asset lock	Yes	Yes	Yes Assets are not divided in stocks or shares, they are bound to the achievement of the foundation's purpose.	Yes
	Use of paid workers	Yes	Yes	Yes	Make a large use of volunteers
	Engagement in economic activity	Yes	Yes	Yes Some may do	Yes
Social dimension	Fields of activity	Provision of social goods and services	Provision of social goods and services	Provision of social goods and services	Provision of social goods and services
	Social aim (public benefit)	Yes	Yes	Yes	Yes
Independence and governance dimension	Organisational autonomy	Yes	Yes	Yes They cannot attract in any case investments	Yes
	Inclusive governance	Yes	Yes	No Not a legal requirement	Yes
	Transparency A system for measuring and reporting impact	Mandatory for some social co-ops	Mandatory for all registered social enterprises	Voluntary	Voluntary

Dimension	Criterion	Legally recognised forms of social enterprise		De facto social enterprises	
		Social co-ops	Ex lege social enterprises	Foundations	Associations
Legal form		Social co-ops	Wide range: social co-op, co-op, association, foundation, etc.	Foundation	Association
Estimated number (2011 unless stated otherwise)		11 264	1 348	6 220	269 353
Estimated meeting eligibility criteria (% , appx.)		100 %	100 %	35 %	28 %
Estimated number meeting eligibility criteria		11 264	1 348	2 169	75 386

When looking at the entire universe of social enterprises operating in Italy, regardless of their legal form, the phenomenon turns out to be quite significant in terms of numbers. Nevertheless, the data provided represent an underestimation, since it is not possible to quantify the number of cooperatives that are not social cooperatives, but are, as already highlighted, engaged in the provision of services of general interest, although they have chosen not to register as social cooperatives ⁽¹⁹⁾.

Based on the available data on social cooperatives, *ex lege* social enterprises, and associations and foundations with market activity, the overall number of social enterprises amounts to nearly 100 000, and accounts for more than 850 000 paid workers (Table 10). If the universe of social enterprises is restricted to organisations carrying out market activities but also relying on at least one paid employee, the picture changes quite significantly from 82 231 to 11 940 associations/foundations. Similarly, the number of volunteers decreases dramatically from around 1.7 million to around 306 000, whereas the overall number of people employed remains unchanged.

Table 10. Estimated number of social enterprises ⁽²⁰⁾

	Social enterprises	Paid workers	Volunteers	Annual turnover (mln EUR)
Social co-ops (2011)	11 264	365 006	42 368	11 157
Ex lege social enterprises (2013)	535*	29 000*	2 700*	314*
Associations & Foundations (2011)	82 231	451 642	1 640 000	25 866
Total	94 030	845 648,	1 685 068	37 337

Source: ISTAT Census (2011), *IRIS network (2014)

⁽¹⁹⁾ The reasons explaining this decision have not yet been investigated.

⁽²⁰⁾ Number of *ex lege* social enterprises that are neither social cooperatives nor associations/foundations. Total number of *ex lege* social enterprise is 774, which includes 228 social cooperatives and 11 associations/foundations.

4. ECO-SYSTEM FOR SOCIAL ENTERPRISES IN ITALY

The development of social enterprises in Italy has not taken place according to specific national planning. Rather, it has followed a spontaneous path, which benefited significantly from regional support schemes, although these are extremely diversified and sometimes of an occasional nature. Similarly, the legal framework and policy support measures have so far evolved essentially in response to requests from civil society or with a view to meeting the needs of public authorities interested in increasing the supply of services without being directly engaged in their production.

In the first phase, when the non-profit sector started to grow in relevance, *ad hoc* legal and support measures were designed for specific legal forms (e.g. social cooperatives, voluntary organisations). From the 1990s onwards, several attempts were made to reorganize the sector and provide a coherent framework.

The three main attempts – the legislative decrees regulating non-profit organisations with social utility (ONLUS, Legislative Decree 460/1997), and social enterprises (Legislative Decree 155/2006 and Law 106/2016) – have so far failed to shape any unifying legislation for the sector. The first two attempts were unable to regulate the different forms of social enterprise in an integrated way or to define the boundaries of social enterprises with respect to mainstream enterprises and non-profit organisations not performing entrepreneurial activities. At the same time, these attempts failed to design consistent support measures for organisations pursuing similar objectives and activities. Law 106/2016 is thus very significant, as it is expected to provide a homogeneous fiscal and legal framework for all legal entities making up the social enterprise universe.

4.1. Key actors

The eco-system of social enterprises in Italy is shaped by the interplay between the key actors that have contributed to acknowledging the specificity of social enterprises, have developed support policies and measures supporting their replication and scaling and have had a role in rendering the social enterprise phenomenon visible. Key actors include national and local policy-makers; research and education providers; social enterprise networks and financial intermediaries.

Table 11. Main actors for the Italian ecosystem

Policy makers	<ul style="list-style-type: none"> - Ministry for Employment and Social Policies - Regional authorities - Local authorities
Research institutes & observatories	<ul style="list-style-type: none"> - Network of Research Institutes on Social Enterprises (Iris Network) - European Research Institute on Cooperative and Social Enterprises (EURICSE) - Association for the promotion of the Culture of Cooperation and Non-profit (AICCON) - Italian Union of Chambers of Commerce – Research Centre (Centro Studi Unioncamere) - Centro Studi Legacoop - National Institute for Statistics (ISTAT, Industry and Services Census) - UBI Banca Observatory (Osservatorio UBI Banca su 'Finanza e Terzo Settore')
Networks	<ul style="list-style-type: none"> - Representative bodies - National, regional and local consortia - Support networks - Networks running entrepreneurial activities and social enterprise incubators
Financial intermediaries	<ul style="list-style-type: none"> - Traditional banks - Banks with a social orientation - Specialized banks - Innovative instruments for social finance

4.2. Policy schemes and support structures

Policy-makers include government departments or institutions designing or implementing policy, support instruments and measures for social enterprises and infrastructures, as well as local authorities. Consultees for this study explained that close cooperation with public authorities represents one of the most important best practices in the development and implementation of support initiatives for social enterprises. In a few cases public support was provided by public authorities even before Law 381/1991 was introduced.

Public support schemes are classified on the basis of the type of enterprises served (e.g. all enterprises that fulfil specific criteria, non-profits and cooperatives, specifically social enterprises). A number of selected examples of public policy schemes are provided below.

4.2.1. Support measures addressed to all enterprises that fulfil specific criteria

- *Guarantee Fund for SMEs (National, ongoing)*

The 'Guarantee Fund' regulated by Law 662/96 has been designed to support SMEs. It has been operational since year 2000 and it is managed by the Ministry of Economic Development. Through the granting of a public guarantee that complements (and often replaces) real guarantees, the Guaranteed Fund promotes access to finance for SMEs. Thanks to the Fund, SMEs have a real chance of securing funding without the obligation to provide additional guarantees (such as sureties or insurance policies) on the resources as these are guaranteed by the Fund. However, the Fund does not provide monetary contributions. New operational provisions regulating the Fund were adopted in 2015. Social enterprises are potential beneficiaries of this measure as well as business incubators, and innovative startups.

4.2.2. Support measures addressed to social economy/non-profit organisations

- *Marcora Fund⁽²¹⁾ (National, ongoing)*

The Marcora Law (Law 49/1985) provides for a blending of self-financing and financing mechanisms specifically for cooperatives through the creation of two funds aimed at promoting and securing levels of employment in times of crisis and for the conversion of businesses in crisis into cooperatives. The first is a rotating fund consisting of low interest loans controlled by BNL (*Banca Nazionale del Lavoro*), while the second is mainly managed by CFI (*Cooperazione Finanza Impresa*), a second-tier cooperative institutional investor formed in 1986 and mandated by the State to coordinate and facilitate worker buyouts within the Legge Marcora framework. The Marcora Fund has played an important role in supporting the Italian cooperative sector, including social cooperatives, especially for the establishment of new cooperatives⁽²²⁾. In 2014, a decree of the Ministry of Economic Development (the 'New Marcora Law'), established a new fund to complement the measures instituted by the Marcora law of 1985. The subsidized loans are granted to support the creation of cooperatives from worker buyouts as well as social cooperatives and cooperatives managing assets confiscated from organized crime. In addition, the Fund supports the development or renovation of existing cooperatives located in the Southern regions.

⁽²¹⁾ A recent study found that CFI has intervened in 77.43 % of the 257 worker buyouts, often partnering with organisations of the cooperative movement or local authorities. For more details on the Italian worker buyouts and the Marcora Law framework, see Vieta (2015) and Vieta and Depedri (2015).

⁽²²⁾ At the end of the 1990s, the application of the Marcora Law was temporarily suspended due to conflict with EU competition rules. In 2001 a reform of the Marcora Law was enacted (Law 57/2001). Based on the good results obtained from its application, this framework was put forward for adoption as a model in a Resolution of the European Parliament on 2 July 2013, which called on Member States to support the transfer of businesses to employees in order to avoid closures, with reference to "the Marcora Law in Italy, which allows to finance the establishment of new co-operatives through unemployment benefits".

- *Subsidies and Public procurement (National, ongoing)*

From the 1970s until the 1980s, subsidies were the most widespread tool used by public agencies to support social enterprises in their endeavour to pursue their institutional aims. Subsidies were not expected to cover all costs, but conceived as partial support for the activities carried out by recipient organisations. As a result, subsidies were in most cases largely inadequate for guaranteeing the survival and growth of the newly-established social enterprises engaged in the delivery of welfare services. To cover their costs, social enterprises relied significantly on volunteers and donations. During the 1990s, a gradual shift has taken place from grants towards public contracting. Through public contracting, parties started to agree on given criteria, namely the type, quantity, and costs of the services to be provided. Another key change introduced to comply with EU criteria and reduce public expenditure took place in the 2000s. It consisted in the growing use of competitive tenders, where the winner is selected on the basis of the lowest price and little attention is paid to the quality of the services delivered.

In Italy, Legislative Decree 163/2006 'Code of public contracts relating to works, services and supplies, Directives 2004/17/EC and 2004/18/EC' and the Decree of the President of the Italian Republic 207/2010 provided an opportunity to subordinate the economic requirements of the procurement procedures to social or environmentally-sustainable aims. Nevertheless, the criterion of awarding the lowest price rather than the most economically-advantageous bid has generally prevailed. The widespread application by public authorities of the lowest price criterion has decreased the autonomy of social enterprises, which has inevitably tended to weaken their ability to address local needs.

The EU rules for public procurement (Directives 23, 24, 25/2014), which have recently been transposed through Legislative Decree 50/2016, are expected to improve procurement criteria in compliance with social and environmental principles.

- *Support measures for the spreading and strengthening of the social economy (National, ongoing)*

With the aim of promoting the growth and strength of the social economy, a dedicated support scheme was established by the Ministry of Economic Development (with a Decree dated 3 July 2015), conceived to support the creation and growth of enterprises pursuing general interest aims. The benefits envisaged by this support scheme address the following types of enterprise:

- social enterprises as per Legislative Decree 155/2006;
- social cooperatives and consortia thereof, as per Law 381/1991;
- cooperative societies having the qualification of ONLUS as per Legislative Decree 460/1997.

This measure, which is connected to the Guarantee Fund for Social Enterprises previously mentioned, provides for the granting of aid measures in accordance with the European regulations *de minimis*, to be disbursed in the form of subsidized loans for investment programmes undertaken by the abovementioned enterprises in any sector, as long as consistent with their institutional purposes.

Support measures related to this instrument are based on an evaluation procedure and are covered by the Revolving Fund for the Support of Enterprises and Research Investment (FRI) established by Law 311/2004 at the Cassa Depositi e Prestiti S.p.A.⁽²³⁾, once the allocation of resource has been approved by the CIPE (Interministerial Committee for Economic Planning). Resources can also be assigned to this support instrument by the Italian Regions and other public bodies, through the European Structural Funds and funds deriving from specific legislative provisions that can be used to blend such subsidized loans with other types of aid granted in the form of non-repayable contributions.

⁽²³⁾ <http://www.cdp.it/>

- *Global Grants ESPRIT and ESPRIT3 (Regional, concluded)*

The ESPRIT3 Global Grant has been promoted by the Tuscany Region with the support of the European Social Fund within the programming period 2007-13. The ESPRIT3 Global Grant was aimed at fighting against the causes of poverty and deprivation by supporting projects focused on disadvantaged people's personalised development plans. The general action framework envisaged the involvement of non-profit organisations for the promotion of labour market insertion paths and the creation of new enterprises. The entire available budget has been implemented (over EUR 7.5 million) to fund 167 projects involving 549 disadvantaged people as direct beneficiaries (42 % of whom were people with disabilities). The results of this support measure include the creation of 28 startups and the activation of 130 labour market insertion programmes. ESPRIT, a previous support measure with similar aims, was carried out in the programming period 2000-06. It involved 829 direct beneficiaries, created 109 startups, activated 160 labour insertion programmes and implemented organisational strengthening activities in more than 120 non-profit organisations.

- *Global grant 'Piccoli sussidi' (Regional, concluded)*

This measure, promoted by several Italian Regions, targeted a wide range of non-profit organisations, including social cooperatives and legally-recognised social enterprises. This initiative was developed through the support of the European Social Fund 2000-06 and 2007-13 and focused on three main areas of intervention: (i) the development of existing organisations through technological innovation and improvement of the quality of the services provided; (ii) support for the start-up of new organisations; and (iii) support for long-term work and social integration activities. One of the most important local measures within this policy was 'Piccoli Sussidi Puglia', in the Apulia region. In 2013 'Piccoli sussidi Puglia' had at its disposal a budget of EUR 5.4 million and received more than 700 applications for funding.

4.2.3. Support measures specifically addressed to social enterprises

- *Preferential purchasing from work integration social cooperatives (National, ongoing)*

Preferential purchasing, the foundations of which were laid down by Law 381/1991, was designed to support the growth of work integration (B-type) social cooperatives. Preferential relationships were contested by the European Union, but further legislation in 1996 clarified the situation, allowing municipalities to accept tenders for contracts only from organisations meeting certain requirements (minimum share of disadvantaged people employed). The revised preferential system has been approved by the European Union, provided that contracts come under the EUR 200 000 threshold. According to Article 5 (recently revised by Law 190/2014, 'Stability Act of 2015') tenders reserved to B-type social cooperatives are allowed for contracts below EU thresholds.

Thus, overall there is a fairly favourable ecosystem for B-type social cooperatives contracting under the EUR 200 000 thresholds. A key turning point in rendering the ecosystem for social enterprises more favourable is the new Code on Tenders (*Codice degli Appalti*) that was approved by Legislative Decree 50/2016. By enlarging the possibilities to make recourse to social and environmental clauses, the new code is expected to further simplify, improve transparency and support innovation in public tenders. It is interesting to note that contracts can now be reserved even above the EU threshold for WISEs at which disadvantaged workers account for at least 30 % of the total workforce (Article 112 of Legislative Decree 50/2016).

- *Exemption from payment of national insurance contributions (national, ongoing)*

Certified disadvantaged workers integrated by B-type social cooperatives are exempted from payment of national insurance contributions.

- *Support measures for innovative social startups (startup innovative a vocazione sociale - SIAVS) (national, ongoing)*

Innovative social startups are defined by Legislative Decree 179/2012 as those that, in addition to fulfilling all criteria required for innovative startups⁽²⁴⁾, operate exclusively in the sectors identified by Legislative Decree 155/2006. Beneficiary enterprises must pursue explicit general interest aims, provide evidence of the social impact generated⁽²⁵⁾ and register in a special company register for innovative social startups. Innovative social startups are entitled to fiscal benefits that are more advantageous than those already awarded to innovative startups.

- *Guarantee fund for investment and low-interest financing for social cooperatives (regional, ongoing)*

This initiative, launched in January 2014 by the Piedmont Region, supports social enterprises through the provision of guarantees for investments and low-interest financing. For the purposes of this fund, social enterprises are identified through the legal form of the social cooperative. The facility takes the form of a loan of up to 100 % of the capital required for investments of at least EUR 15 000 aimed at acquiring machinery and equipment, purchasing or constructing properties, activating or adapting technical equipment and premises required for the performance of activities, etc.

- *Fertilità project (national, ongoing)*

Three editions of the Fertilità project have been carried out: in 2001, 2006 and 2016. They have been launched and managed by the national agency Sviluppo Italia (now Invitalia), in cooperation with the Ministry of Labour and Social Policy. The project supports the start-up of social cooperatives or consortia of cooperatives through the provision of training, consultancy services and coaching by established social cooperatives and consortia. In the different editions of the project, over 700 projects have been submitted for funding and subsidies have been provided totalling about EUR 26 million for the creation of new social cooperatives operating in the following sectors: tourism and environment, care services, training and education, work integration, communication in the social sectors, agrifood and manufacturing. The current edition of the project will end in December 2016.

- *Oasis Fund (National, concluded)*

The Oasis competition was launched in 2001 and 2007 with funding from the European Regional Development Fund. It was managed by two non-profit organisations (Fondazione Europa Occupazione and Compagnia Sviluppo Imprese Sociali) and targeted small and medium-sized social cooperatives (A-type and B-type) in the Southern regions of Italy. The support granted included equity loans and funding for the acquisition of goods and services. The main objectives of the project were the creation of new enterprises and the strengthening of networking activities. The results of the 2001 edition were encouraging: 24 social cooperatives and 10 consortia were created with a budget of EUR 22.53 million. The Oasis Fund also helped to boost employment in the selected regions. By the end of 2001, despite the fact that some funded projects had not yet been fully implemented, 249 workers (102 of whom were disadvantaged workers) were employed (ISSAN, 2002).

⁽²⁴⁾ Innovative startups must show, among other features, the following characteristics: be less than four years old; be based in Italy; have an annual turnover amounting to less than EUR 5 million; non-distribution of profits; trading in innovative or ICT goods and services.

⁽²⁵⁾ For this purpose SIAVS must draft a specific document every year illustrating the social impact generated (*documento di descrizione di impatto sociale*). According to the guidelines for this support measure, the document must include both a descriptive section and a set of indicators.

- *Start-up imprenditoria sociale (startups for social entrepreneurship⁽²⁶⁾ (national, concluded)*

This initiative, now concluded, was launched in 2013 by the National Union of the Italian Chambers of Commerce (38 chambers of commerce at local level) and Universitas Mercatorum, the university promoted by the same organisation. The initiative envisaged the provision of consulting services for the creation of social enterprise startups. The initiative also addressed already-existing organisations that provided general-interest services and that were willing to become social enterprises under the provisions of Legislative Decree 155/06.

- *Intervento 18 (regional, ongoing)*

This initiative was initially launched by the Province of Trento in the late 1990s under the name 'Azione 9' and was renamed 'Intervento 18' in 2012. The initiative aims at supporting the employment and social inclusion of disadvantaged and disabled people through the provision of subsidies to social cooperatives. The subsidies take the form of partial coverage of costs borne to pay disabled or disadvantaged workers and trainers and to promote workers' inclusion in the labour market. As stated by the European Confederation of Workers' Cooperatives (CECOP), the cooperation between social enterprises and the public sector has been one of the key strengths of this specific initiative (Il Trentino, 2011). Borzaga and Depedri (2013) estimated that 'Intervento 18' generates savings for the public sector up to EUR 6 000 per disadvantaged worker per year. This estimate takes account of both the costs supported by the public sector (including public funding) and the benefits resulting from the reduced costs for public agencies. These include lower costs related to the provision of social and healthcare services due to the improved health conditions of the socially-included disadvantaged workers. The relevance of this public scheme was highlighted by a recent peer review of the initiative, which classified it as a best practice (Social Entrepreneurship Network, 2013)⁽²⁷⁾.

- *Sostegno alle imprese sociali (Regional, concluded)*

This initiative was launched by the Emilia Romagna region with funding from the European Social Funds and was carried out between 2000 and 2006. The aim of the initiative was to promote projects for social inclusion and employment of disadvantaged people. The initiative, targeting social cooperatives, supported micro-enterprises by financing investments into growth and innovation.

Table 12. Examples of supporting measures

Policy	National/ local	Source	Source of financing	Status
<i>Support measures addressed to all enterprises</i>				
Guarantee Fund for SMEs	National	Law 662/96	National and EU funds	Ongoing
<i>Support measures addressed to social economy/non-profit organisations</i>				
Marcora fund	National	Law 49/1985	National	Ongoing
Subsidies and public procurement	National	Legislative Decree 163/2006 and EC directives	National	Ongoing
Supporting measures for the spreading and strengthening of the social enterprise	National	Ministerial Decree 3 July 2015	National and EU funds (ESF)	Ongoing
Global grant 'ESPRIT3'	Regional (Tuscany)	Implementing measure of POR FSE 2014-20	EU funds (ESF)	Concluded

⁽²⁶⁾ <http://www.unimercatorum.it/start-up-imprenditoria-sociale-2/>

⁽²⁷⁾ <http://socialeconomy.pl/node/99>

Policy	National/ local	Source	Source of financing	Status
Global grant 'Piccoli sussidi'	Regional (different regions)	Regional laws	EU funds (ESF)	Concluded
<i>Support measures specifically addressed to social enterprises</i>				
Preferential purchasing from work integration social cooperatives Social enterprises	National	Law 381/1991 and Legislative Decree 50/2016	National	Ongoing
Exemption from payment of national insurance contributions	National	Law 381/1991 and Circular n° 296, 9 December 1992 (INPS)	National	Ongoing
Support measures for innovative social startups	National	Legislative Decree 179/2012 and Law 221/2012	National	Ongoing
Guarantee fund for investment and low-interest financing for social cooperatives	(Regional, Piedmont)	Regional Law 18/1994		Ongoing
Fertilità project 2016	National	-	National	Ongoing
Oasis Fund	National	-	European (ERDF)	Concluded
Startups for social entrepreneurship	National	-	National	Concluded
Intervento 18	Regional (Province of Trento)	-	Regional	Ongoing
Sostegno alle imprese sociali	Regional (Emilia- Romagna)	-	EU funds (ESF)	Concluded

4.3. Networks and mutual support mechanisms

Networks have, since their early emergence, played a key role in boosting the widespread replication and growth of social enterprise. In Italy, social enterprise networks can be classified into four main groups:

- representative bodies,
- national, regional and local consortia,
- support networks,
- networks running entrepreneurial activities.

4.3.1. Representative bodies

These include federative bodies that provide political representation, advocacy and trade union support. The creation of a national federation for social cooperatives in the late 1980s (Confcooperative-Federsolidarietà and Legacoopsociali) has played a key role in the institutionalisation and development of social cooperatives in Italy. The Federation's objectives were to promote the development and consolidation of social enterprises by raising awareness among the general public and policy-makers (Borzaga and Ianes, 2011). These confederations and associations were both mentioned by the social enterprises consulted for this study as having contributed to supporting social enterprise growth.

4.3.2. National and local consortia

Consortia of social cooperatives at national and local level have played a key role in supporting new, developing, and established social cooperatives, and have sometimes

directly participated in the development of new business activities. Consortia have become increasingly important as a strategy for spinning off new initiatives and thus matching the growing demand for services without having to increase the size of individual cooperatives. In essence, consortia pursue a specialisation strategy and thus reap the advantages of large size by grouping into local second-level organisations.

Consortia supply services aimed at supporting members' capacities and management activities with respect to both internal functions (e.g. support services for individual cooperatives, mainly in the form of training services, technical-administrative services, and knowledge and information transmission services, etc.) and external functions (e.g. project planning and coordination, development of policies and guidelines for the creation and expansion of social cooperatives, bids for tender and participation in other forms of public funding procurement, etc.). As explained by the interviewees, one of the key objectives of local consortia has been and still is to act as the 'general contractor' when participating in public tenders for services. The consortium concludes agreements on the supply of services to public authorities on behalf of its members. This allows small organisations to access procurement opportunities and to satisfy requirements that individual organisations would otherwise not be able to satisfy due to the limited size of the enterprise, for example, or to the absence of the skills and financial capacity required. Furthermore, consortia are also able to negotiate collective discounted interest rates on loans from financial institutions. They may also act as guarantors for bank loans or for contract delivery.

Consortia of social enterprises are funded from various sources, including membership fees, and act at either local or national level. According to Istat Census data, there were 405 local consortia of social cooperatives in Italy in 2011. An example of a local consortium is provided in Annex 2 (Illustration 7). Local consortia may be linked together in national bodies⁽²⁸⁾. The most important national consortium is CGM⁽²⁹⁾, which brings together 70 local consortia, involving over 1 000 social cooperatives. In addition to CGM, several of the social enterprises consulted for this study were reported to be part of the 'Idee in rete' consortium⁽³⁰⁾, representing 450 social cooperatives across 12 Italian regions. This consortium undertakes a number of activities aimed at supporting cooperatives, including knowledge sharing, general contracting and fund raising.

4.3.3. Support networks

Support networks are large bodies representing non-profit organisations. They provide social and political representation and also perform a coordination role. Examples of support networks are provided by Forum del Terzo Settore⁽³¹⁾, which performs a key lobbying role in Italy, and Rete Misericordie⁽³²⁾ that has for a history going back eight centuries. Rete Misericordie is the widest network bringing together voluntary groups committed to providing assistance to local communities and to vulnerable people in particular.

4.3.4. Networks running entrepreneurial activities and social enterprise incubators

Over the last few years, some entrepreneurial networks have been established in the form of *ex lege* limited liability social enterprises. They engage in the direct production and/or running of trading activities (Venturi and Zandonai, 2016). Networks running entrepreneurial activities especially in the field of health or complex social services are a typical example of the innovative social enterprise initiatives that were able to seize the opportunities offered by Law 118/2005.

⁽²⁸⁾ Local and national consortia are included in the total number of social cooperatives reported in this document (11,264).

⁽²⁹⁾ www.cgm.coop

⁽³⁰⁾ www.ideeinrete.coop

⁽³¹⁾ www.forumterzosettore.it

⁽³²⁾ www.misericordie.it

Incubators have also played a key role in providing social enterprises with important resources and skills. It is worth mentioning that social enterprise incubators and accelerators select, fund and provide support to innovative and social/environmental impact-oriented entrepreneurial initiatives during their start-up or development phase (e.g., Avanzi-Make a Cube, FabriQ, Impact Hub, etc.).

4.4. Research, education and skills development

Social enterprises have been studied in depth in Italy. The good availability of data and knowledge from both official statistics and private research has boosted the visibility of the sector and has had a role in clarifying the role of social enterprises for policy-makers at both national and local levels. Section 3.1.3 provides a detailed description of the main sources of data on social enterprises in Italy.

In addition to a growing number of individual researchers committed to studying social enterprises, there are three main research institutions focused on social enterprises that are worth mentioning:

- Iris Network, the national network of researchers and research institutes on social enterprise. The Iris Network supports empirical investigation and theoretical ideas to facilitate a deep understanding of social enterprise organisations, affirming their role and improving their ability to act. The Iris Network promotes ideas and the exchange of information between research centres, universities, single researchers and the world of social entrepreneurship through some key initiatives such as the Scientific Colloquium, which has come into its tenth edition with more than 350 papers presented and discussed.
- European Research Institute on Cooperative and Social Enterprises (Euricse). The Institute promotes knowledge development and innovation for the field of social enterprises, cooperatives and other non-profit organisations. Euricse aims to deepen the understanding of these types of organisations and their impact on economic and social development, furthering their growth and helping them to work more effectively. Through activities directed towards and in partnership with both the academic community and practitioners, Euricse addresses issues of national and international interest to social enterprises and other organisations within the social economy.
- The Italian Association for the Promotion of the Culture of Co-operation and of Nonprofit (AICCON) is an association established on the initiative of the University of Bologna, the Italian Cooperative Alliance and other public and private entities engaged in the field of social economy. The aim of the association is to encourage, support, and organize initiatives to promote the culture of solidarity related to non-profit organisations and cooperative enterprises.

In Italy, education and training on social enterprise are developed at different levels. Several universities now offer courses and programmes on social enterprise and related topics:

- The Bocconi University of Milan (SDA Bocconi School of Management) in 1993 became the first Italian university to offer a bachelor's degree in Economics for non-profit, cooperative and social organisations. A few years later, it established a Master's in the management of social, cooperative, and non-profit organisations, now the Master's in the management of social enterprises, not-for-profit organisations and cooperatives.
- The University of Trento and Euricse have, for 20 years, run a Master's programme in the management of social enterprise. The GIS Master's programme has so far helped to train around 300 students, out of whom 87.17 % have found employment in a social enterprise within one year of obtaining their Master's degree.
- The University of Bologna offers a Master's degree in social economy, a Master's degree in economics and the management of non-profit organisations and cooperative enterprises and a Master's degree on fundraising for non-profit organisations and public bodies, now in its fifteenth edition.
- The Catholic University of the Sacred Heart of Milan offers an executive Master's in social Entrepreneurship that is now in its third edition.

4.5. Financing

4.5.1. Demand for finance

Italian social cooperatives, which are the most developed type of social enterprise, have increased the amount of their investments over the past decade. Therefore, despite their notably labour-intensive nature, they have also increased their demand for finance.

An interesting indicator is provided by the volume of debt contracted by social cooperatives, which amounted to around EUR 7.9 billion in 2014 (data processed by Euricse, drawing on the AIDA database) ⁽³³⁾.

Against this growing demand for finance, Italian social enterprises, both *ex lege* and *de facto*, have largely relied on their own financial resources. It is estimated that about 70 % of these organisations are mainly self-funded (Venturi and Zandonai, 2012a). The main sources of self-financing are contributions provided by members and surpluses resulting from business activities; these surpluses are accumulated through indivisible reserves, i.e. reserves that cannot be distributed to members.

According to research on social cooperatives in Italy, social enterprises tend to address their credit needs to the traditional banking system where necessary, and lack of financing is seldom listed among the main obstacles faced by social enterprises. This type of obstacle normally ranks after 'delays in public authority payments'. Additionally, according to a survey carried out in 2012 (UBI Banca and AICCON, 2013), about 37 % of social cooperatives declared that they planned to make investments in 2013, and 26 % of them (or less than 10 % of all social cooperatives, including those who expected to make investments) declared that they would rely on public finance.

Although self-financing represents the first source of investment in most cases, based on the research undertaken for this study, social enterprises are also financed by different actors and sources, including traditional banks, specialist financial intermediaries, foundations and public grants. Therefore, according to this research and more general research, social enterprises do not face particular problems in accessing traditional financing channels, particularly the traditional banking sector.

In 2012, a sample of 250 social cooperatives took part in a survey aiming at investigating their financial needs (UBI Banca and AICCON, 2012). Key results of the study include the following:

- On average, each social cooperative used the services and/or products (such as requests for funds and online banking) of at least two credit institutions.
- About 50 % of social cooperatives did not believe that banks apply assessment methods that are tailored to non-profit organisations.
- Overall, 65 % of social enterprises were however satisfied by the relationships established with the traditional banking sector (UBI Banca and AICCON, 2013).

4.5.2. Supply of finance

Financial intermediaries include traditional banks, banks with a social orientation and specialized providers.

- *Traditional banks*

All types of bank work with social enterprises. Traditional banks address most of the credit needs of social enterprises, both short-term and long-term. In 2012, the five largest banking groups in Italy accounted for close to 47 % of the bank lending to social cooperatives; other large, small and medium-sized banks covered about 38 % of the lending. Foreign banks provided less than 1 % of the overall loans (Gobbi, 2012).

⁽³³⁾ Euricse (2013) and Borzaga (2015).

Various traditional banks have created specialized institutions (See Box 4.1) or particular sections (Unicredit and UBI Banca) that are meant to address the financial needs of nonprofit organisations.

As reported by the Italian Central Bank, over the 2007-10 period, social cooperatives have been offered favourable credit terms by Italian banks for the following reasons:

- A large proportion of social cooperatives operate in a sector, i.e. the provision of products and services to public institutions, which is less affected by the economic situation than for enterprises operating in private markets. It is estimated that 45 % of social enterprises in Italy have public bodies as their main clients (Venturi and Zandonai, 2012a).
 - The relatively small size of the majority of social cooperatives allows for the diversification of risk.
 - Overall, social cooperatives have shown a low level of risk for investors, with the exception of some larger operators.
- *Banks with a social orientation*

Banks with a social orientation include cooperative credit banks, which are traditionally oriented towards supporting locally-based initiatives, and Banca Etica, which is the first ethical finance institution in Italy. Created in 1999, Banca Etica originated from a previous initiative of self-funding developed by an association of cooperatives and targeted at socially-oriented projects. It offers credit to organisations operating in social areas such as welfare and education, and developed special conditions for the access to finance that are customised to the needs of social enterprises. In 2012, Banca Etica had over 35 000 clients, and financed 5,280 organisations and 2,943 individuals, with a total financing of EUR 619 million at the end of 2013 (Banca Etica, 2013). Cooperative Credit Banks (Banche di Credito Cooperativo, BCC) are responsible for about 16 % of the lending (Gobbi, 2012).

- *Specialized Banks*

Banca Prossima is a specialized bank, which was created in 2007 by the Intesa Sanpaolo banking group: it is the first European bank with the exclusive aim of providing financial support to social enterprises and other enterprises active in the non-profit sector (Intesa Sanpaolo, 2007). Similarly to Banca Etica, Banca Prossima adopts a specific credit rating system for non-profit organisations. In 2012, Banca Prossima reported 22 000 non-profit clients and provided total finance of EUR 1.5 billion (Banca Prossima, 2013). For more detail on Banca Prossima, see Annex 2 (Illustration 8).

- *Innovative instruments for social finance*

Over the last few years, innovative instruments for social finance have emerged in the financial market. These instruments include impact investing, social impact bonds and social venture capital (Rago and Venturi, 2013). Recent examples of venture capitalists specialising in social investment include for instance the venture philanthropy fund Oltre Venture, as explained in Annex 2 (Illustration 9 - Venturi and Zandonai, 2012b). Another example is represented by the UBI Banca's social bonds: in 2012, UBI Banca and the national consortium of social cooperatives CGM introduced bonds with the objective of supporting the development of social enterprises and carrying out social projects that create value for local communities. The total amount of bonds issued was EUR 20 million and loans ranged from EUR 15 000 to 500 000, with a maximum maturity of 60 months (UBI Banca and AICCON, 2013).

4.5.3. Market gaps/deficiencies

Social enterprises face similar problems to those of small and medium enterprises. It is likely that the situation will change over the coming years as social enterprises will probably expand their field of activities into sectors requiring significant investment. Against this background, there is a need for guarantee funds similar to the one just

approved (see paragraph 4.2.1), fiscal benefits aimed to incentivize capitalization and tools capable of attracting private savings (e.g. social bonds like those promoted by UBI).

Key deficiencies include weak management the skills of social cooperatives: the poor management of social cooperatives influences their investment risk profile significantly (Gobbi, 2012).

5. PERSPECTIVES

5.1. Overview of the social enterprise debate at national level

Any analysis of perspectives cannot disregard the recent reform of the 'Third Sector' and the public debate on social enterprise which preceded and accompanied it. The debate has been rather confused. Many commentators were confused by the very low impact of the law on social enterprise (as pointed out earlier, a very small number of organisations have registered as *ex lege* social enterprises). The failure of the law can be ascribed to the following factors:

- the strength of social cooperatives;
- the inability to attract non-profit organisations (particularly associations) owing to the additional costs and responsibilities that it entails without offering any benefits;
- the discouragement of investors due to strict legal requirements and rules on setting up an activity and scarce incentives (fiscal advantages are not seen as attractive enough);
- the difficulties in attracting risk capital because of the total profit distribution constraint preventing *ex lege* social enterprises from distributing any profits (as opposed to the partial distribution of profits allowed for social cooperatives);
- the impossibility of inviting conventional entrepreneurs to participate in the governance of social enterprises;
- the limited opportunities granted by the law to the *ex lege* social enterprises in sectors such as environment, health and culture.

The approved text of the reform (Law 2016/2016) reaffirms the non-speculative nature of social enterprises independently of the legal form taken, whilst also introducing some key changes with a view to supporting the widespread development of social enterprise in a larger number of fields.

Another controversial issue that has lately gained prominence in the press relates to the negative reputation of some social cooperatives resulting from scandals they have been involved in when managing services contracted out by public agencies. Recent events involving in particular the management of reception centres for asylum seekers and refugees overshadow the contribution of social enterprises to innovating and democratizing the welfare system. Conversely, they give strength to the view that social enterprises provide an excuse for the withdrawal of public agencies and an opportunity for private providers to exploit the contracting out of public service delivery.

5.2. Constraining factors and opportunities

Social enterprises are an important and growing sector of the Italian economy. While the integration of social enterprises into the welfare system has been key in boosting their replication, the strong dependence of social enterprises on public policies has also contextually contributed to constraining their development. The integration of social enterprises into the welfare system has progressively induced them to sideline their ability to discover new needs and meet the demand for unmet services better than public providers. By restricting their role to mere providers of social services as decided by public policies, social enterprises have gradually abandoned one of their key added values: the ability to innovate the provision of social services and create a 'public dimension' (Laville, Young and Eynaud, 2014; Borzaga, Fazzi and Galera, 2016).

Moreover, spending reviews implemented by the Italian Government in response to the economic crisis have reduced the availability of public resources in sectors that are fundamental for social enterprises, such as the welfare domain. This has, on the one hand, reduced opportunities for social enterprises to expand. On the other hand, it creates the drivers for social enterprises to diversify into new markets. As recent evolutionary trends show, these include new private demand both from private users (capturing the large volume of resources spent in the informal market) and from enterprises interested in developing welfare services for their employees. Good practice

in this area is seen both from *de facto* social enterprises (e.g. associations/foundations, community cooperatives) and *ex lege* social enterprises.

Interviews undertaken for this study confirm the relevance of public procurement. At the same time, the social enterprises consulted explained that one major problem constraining social enterprise stability is the delay in payment for the services delivered to public authorities⁽³⁴⁾. Delays have increased social enterprises' debts towards banks for advancing the payment of due invoices, and has affected the ability to remunerate employees with the required level of regularity. For example, one social enterprise consulted for this study stated that until 2011, these sustainability issues were absent: about 90 % of the organisation's employees had a permanent contract and only 10 % cent had a temporary contract.

Another barrier to the development of social enterprises is the confusion caused by the complexity and fragmentation of the legislative framework, both civil and fiscal, which currently regulates the operation of non-profit organisations (excluding social cooperatives, which benefit from a well-established legal framework) and *ex lege* social enterprises. The result can be to impose complex and restrictive bureaucratic and administrative tasks, which complicate the enterprise's management. That said, the Decrees to be adopted implementing Third Sector reform are expected to overcome the fragmentation of the fiscal framework and stimulate a full exploitation of the opportunities offered by social enterprise legislation.

Additional obstacles are generated by the poor managerial skills of social entrepreneurs, whose profile is often that of the social worker.

The increase in competition is a further obstacle mentioned by the social cooperatives consulted for this study. Work integration social cooperatives are competing with mainstream companies, which are entering markets traditionally covered by social cooperatives, including the sectors of social care and healthcare services provided to disadvantaged people; large service-providing social cooperatives are also increasingly competing with each other to secure contracts from public authorities (Venturi and Zandonai, 2012a and 2012b).

The social enterprises consulted explained that it is now more difficult to access public procurement opportunities due to the increased competition and due to a failure of public authorities to implement social clauses supporting social enterprises in public procurement. Nevertheless, financing mechanisms have recently been reformed. In particular, the EU public procurement rules (2014/24/EU) that have just been transposed by the Italian legislator are of key importance. By affecting the way social enterprises are publicly financed, the new rules are expected to return some autonomy to social enterprises, which should, in turn, boost their ability to contribute to the Italian economy and welfare system.

5.3. Trends and future challenges

In Italy, the social enterprise phenomenon is quite heterogeneous, as it is closely connected to the specific development perspectives faced by each social enterprise type; while the potential of some social enterprise types has yet to be fully harnessed, other social enterprise types are in the process of concluding their cycle of development for different reasons. These include public budget cuts, delays in the payment of public contracts and delays in the full satisfaction of demand for the services delivered. This is the case with A-type social cooperatives that are mainly engaged in the supply of social services to public authorities.

As evidenced by a growing body of experience (Venturi and Zandonai, 2014), the major challenge for A-type social cooperatives is to increase efficiency and experiment with new cycles of innovation through the production of innovative services targeting a new demand. These could include, for instance, health and educational services as well as

⁽³⁴⁾ One stakeholder estimated that the average delay in payments from public authorities is 36 months.

traditional services, which could be delivered in a more sophisticated way than at present; corporate welfare services addressed to an enterprise's employees, families and clients; and services addressed to workers and clients of insurance companies.

Unlike A-type social cooperatives, B-types depend much less on public finance. About half of their total turnover results from the sale of goods and services to private customers and a consistent part of the remaining half comes from successful participations in tenders that are only partially reserved. Nevertheless, social cooperatives are mainly engaged in domains with a low added value, such as cleaning, gardening and assembly. The crisis has reduced the demand for these services, while also increasing competition from conventional providers, which were until a few years ago not interested in these market sectors. Typical activities run by B-type social cooperatives are unable to provide disadvantaged workers with high-profile training. B-type social cooperatives thus run two risks: losing market share and failing to ensure the turnover rate of disadvantaged workers they have managed to ensure in the past. The challenge is therefore to switch towards production with higher added value that makes it possible to provide higher professional training profiles to benefit the disadvantaged workers already employed. This is a key challenge given the increase in numbers of workers with employment difficulties that are not necessarily as severe as those identified by Law 381/1991. What is needed is therefore a stronger recognition of the ability of social cooperatives to facilitate the work integration of people otherwise excluded through the adoption of further support measure in addition to the exemption from the payment of social security contributions. Many social cooperatives are already carrying this burden as they are unable to qualify for the exemption from payment of social security contributions. The 2016 law reforming the Third Sector paves the way in this respect for an enlargement of the categories of disadvantaged workers that can benefit from tax exemptions, thus acknowledging the need to deal also with new types of vulnerabilities that have resulted from the economic and financial crisis.

An additional challenge that many B-type social cooperatives are already facing is that of starting new businesses in domains with higher income-generating capacity and a more stable demand, such as organic agriculture and trading in agricultural products. Finally, another strategy which has made it possible to maintain the employment levels of disadvantaged workers integrated and which might be exploited further is the establishment of partnerships with conventional enterprises.

Associations and foundations that are *de facto* social enterprises normally have a low awareness of the beneficial implications of organizing the supply of social, cultural, sport, and recreational activities in an entrepreneurial manner. They are not aware that organizing such activities in a fully entrepreneurial form is not only possible, but it is often a condition for strengthening their activities to the advantage of both their direct beneficiaries and the community. The main challenge is hence to increase the private demand that can generate income and new employment, while also encouraging associations and foundations to take advantage of the possibilities offered by the law on social enterprise.

The last challenge regards the possibilities for social enterprise development in new business sectors of general interest other than those where non-profit organisations normally engage. These include for instance waste management, network services, management of facilities for cultural activities and social housing, where the gap between supply and demand is not only high, but is showing a tendency to increase further due mainly to the contraction of public resources.

In contrast to the sectors where social cooperatives and associations typically thrived over recent years, these new sectors are marked by a strong presence of public bodies, which in some cases have both the monopoly of supply and the ownership of productive structures. Their transfer to social enterprises would therefore imply the downsizing of powers of public administrators. In addition to this, the key capital in these fields is not human capital, as in the case of social and cultural services, but also financial capital. Indeed, the development of these activities presupposes the ability to invest in real

estate, infrastructure and expensive equipment. The ability of social enterprises to enter these domains depends on a number of factors, involving both the supply side and the predominant political and administrative culture, which has to change significantly. Some promising signals shed light on the still unexpressed potential for social enterprise in this domain. These are related to the debate that is currently taken place on commons, the appearance of collaboration experiences between citizens and public authorities, the rise of social housing projects managed by non-profit organisations and the emergence of innovative initiatives from community cooperatives for the management of public interest services. All these initiatives suggest that there is still considerable space for the growth and development of social enterprise. The challenge in this case is to seize the potential by adjusting the institutional structures of both social enterprises and public authorities.

6. ANNEXES

6.1. Operational social enterprise definition

The following table represents an attempt to operationalize the definition of 'social enterprise' based on the Social Business Initiative 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 performance of stable and continuous economic activities, and hence show the typical characteristics that are shared by all enterprises ⁽³⁵⁾ .	<ul style="list-style-type: none"> - Whether or not the organisation is incorporated (included in specific registers) - Whether or not the organisation is autonomous (whether it is controlled 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 %).	- 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)

⁽³⁵⁾ 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".

Social enterprises and their eco-systems

Updated country report: Italy

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. By promoting the general-interest, SEs overcome the traditional owner-orientation that typically distinguishes traditional cooperatives.</p> <p>Product: when not specifically aimed at integrating disadvantaged people to work, SEs must deliver goods/services that generate a beneficial societal impact.</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. 	<p>Primacy of social aim must be clearly established by national legislations, by the statutes of SEs or other relevant documents.</p>	<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 traditionally been engaged in the provision of welfare services; in new Member States, SEs have played 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 considered to be of a meritorial/general-interest nature depends on contextual specificities. Each national expert should provide a definition of what 'public benefit' means in her/his country.

Social enterprises and their eco-systems

Updated country report: Italy

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)	<p>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.</p> <p>SEs often limit the distribution of profits. The non-profit distribution constraint is meant to ensure that the general-interest is safeguarded. The non-profit distribution constraint can be operationalized in different ways.</p>	<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 to adopt or do adopt already (in practice) decision-making processes that allow for a well-balanced representation of the various interests at play (if so, through formal membership or informal channels - giving 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 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 envisaged concerning limitations on profit distribution (e.g. most successful solution: capped dividends supported by total asset lock – Italian social coops, CIC, SCICs).

6.2. Illustrations

Illustration 1. Nuova Dimensione (A-type social cooperative)

Nuova Dimensione is an A-type social cooperative founded in 1981 in Perugia, Umbria with the aim of creating effective responses to deal with the numerous cases of social distress in the region. The first services offered by the cooperative included child-care and home assistance for disadvantaged people (the elderly, people with disabilities or with psychiatric conditions).

After 28 years of activity, Nuova Dimensione employs more than 200 workers. Almost 80 % of them are worker-members. The majority of the staff are women (72, 82 %). The turnover for 2013 was EUR 5 970 million and the added value generated during the year has been used to remunerate the workers and to invest in the social mission.

Nuova Dimensione is engaged in three main areas of intervention:

- Disability: the services offered, which include school and home assistance, are addressed to people with severely restricted personal autonomy, who are therefore at risk of social exclusion. The values and philosophy that inspire the services are characterized by attention to the people, in order to improve the quality of their lives.
- Elderly: the cooperative runs numerous home and hospital assistance initiatives and manages day-care centres for non-self-sufficient elderly and Alzheimer's patients.
- Social tourism: since 2009 Nuova Dimensione is engaged in social and sustainable tourism. The primary objective is to promote the development of social tourism in Umbria through the support of socio-economic development of local communities and the organisation of summer and winter camps for children, the elderly and disabled people.

Website: <http://www.nuovadimensione.com/>

Illustration 2. L'incontro Industria (B-type social cooperative)

L'incontro Industria is a social cooperative that joins the consortium InConcerto. Since 1997, this cooperative has been dealing with industrial assembly in the province of Treviso, Veneto.

L'incontro Industria combines an entrepreneurial dimension (the cooperative supplies its products to more than 70 clients) with a specific social aim, namely the integration of disadvantaged people into the labour market. The rehabilitation path promoted by L'incontro Industria is based on the idea that work is the main vehicle for the promotion of social integration of disadvantaged people, as it contributes to supporting:

- economic self-sufficiency,
- exercise of responsibility by assuming commitments,
- professional qualifications.

After almost 20 years of activity, the cooperative counts 250 members, out of whom 30 % are disadvantaged people. In 2015, the turnover of the social cooperative amounted to EUR 10 million.

Website: <http://www.lincontroindustria.it/>

Illustration 3. K-Pax (mixed A- and B-type social cooperative)

K-Pax social cooperative was established in Breno, Val Camonica, Lombardia in 2008 by a group of social operators and recipients of assistance and reception programmes. The main aim is to address the needs of migrants, asylum seekers, refugees and people dealing with difficult life situations.

Services offered by K-Pax fall in five main areas:

- social housing,

- social and cultural integration,
- training activities, prevention and counselling,
- reception services,
- awareness-raising activities and entertainment in local communities.

The core activity of the cooperative consists in the reception and integration of migrants and asylum seekers within the framework of the SPRAR system. The SPRAR system (Service of Protection for Asylum Seekers and Political Refugees) was established in 2002 by the Italian government to facilitate the integration of beneficiaries through a network of local authorities and non-profit organisations in charge of managing reception services.

One of the most meaningful outcomes in the framework of these projects is the refurbishment of Hotel Giardino, an abandoned hotel located in Breno. The process of restoration and enhancement of the structure focused on three main aspects:

- attention to ecological and environmental impact,
- enhancement of local reality,
- employment of migrants previously accepted by the cooperative as applicants for international protection.

Thanks to the regeneration of the structure and the implementation of a set of practices aimed at reducing environmental impact, Hotel Giardino has been awarded the prestigious certification 'Certiquality' released by the EcoWorldHotel platform. A particular feature of the new management is to focus on the local territory, through the use of locally-produced organic products and promotion of the craft and artistic experiences offered by the valley. Another key aspect of the new management regards the process of social and labour integration of migrants that are beneficiaries of the reception projects carried out by K-Pax. At present, Hotel Giardino permanently employs four migrants, two with psychiatric disabilities, who assist four local workers in the management of the hotel.

Website: <http://www.k-pax.eu/>

Illustration 4. La strada-der Weg ONLUS (association)

'La strada - der Weg ONLUS' is a Catholic-inspired association founded by Don Giancarlo Bertagnolli in 1978 that carries out its activities in Alto Adige-Südtirol. The association had originally dealt with the treatment of drug addicts and children in situations of social distress. Over its almost 40 years of activity, the association has developed by expanding its areas of intervention and is currently engaged in many different projects aimed at providing care services for the community. The association works to improve the skills, potential and aspirations of the users of its services by stimulating confrontation and participation processes. The key factors that inspire the action of the association can be summarized in four main points:

- centrality of the person,
- educational experiences,
- dialogue and discussion with the territory and the stakeholders,
- promotion of volunteering.

Over time, the association has become an essential partner of the local authorities in the provision and management of welfare services in Alto Adige-Südtirol. The association currently employs 130 workers and 140 volunteers.

Website: <http://www.lastrada-derweg.org/139.html>

Illustration 5. A.FO.RI.S. (*ex lege* social enterprise)

A.FO.RI.S. – Impresa Sociale was founded in 1988 in Foggia, in the South of Italy (Apulia region). Its main activities include the provision of consulting and training services in the field of environment and energy and engagement in sustainable development and eco-management projects.

In 1997 A.FO.RI.S. decided to become an *ex lege* social enterprise with a view to emphasising some of its key features such as networking, delivering services with high ethical and relational content and supporting local development processes. A.FO.RI.S. aims at being identified as a promoter of change in the fields of energy and environmental sustainability, with the involvement of a wide range of stakeholders, including public authorities and private citizens.

As far as consulting and eco-planning activities are concerned, they are addressed to both the private and public sectors. A.FO.RI.S. operates for the integration of the environmental component in the decision-making processes followed by its clients, promoting the protection and sustainable use of cultural, natural and human resources.

As regards training services, they are addressed to unemployed people seeking their first job and recent graduates, as well as people already employed in the labour market, including representatives of public authorities. In addition, A.FO.RI.S. promotes the adoption of environmentally-responsible behaviours and lifestyles through education, information and communication programmes in schools and local administrations. The ultimate aim of the various kinds of training offered is to build a new leading class more sensitive towards environmental issues and able to understand their interplay with the mechanisms of markets and public authorities.

Website: <http://www.aforis.it/>

Illustration 6. Welfare Milano Impresa Sociale S.r.l. (*Ex lege* social enterprise)

Welfare Milano S.r.l. is an *ex lege* social enterprise based in Milan and operating in the healthcare sector. It is part of Welfare Italia Servizi, a network founded in 2009 and comprised of a number of social cooperatives and non-profit organisations. The network aims at enhancing and scaling up the good practices developed by social cooperatives and non-profit organisations in the health sector, and it acts as a franchisor, providing affiliates with expertise, skills and services relating to the process of creating new businesses.

Welfare Milano was created in 2011 by the association of eleven social cooperatives and, since its foundation, has managed a medical and a dental centre in the city. Welfare Milano offers quality health services at a fair price, including medical examinations, physical therapy and diagnoses. Welfare Milano bridges the gap between the offer of medical services provided by the national health service (which are offered at lower rates but are usually subject to long waiting lists) and the private for-profit entities (which are much more expensive).

According to an interview carried out in 2015, this enterprise is completely self-financed and self-sustainable through market activities addressed to private and public customers.

The welfare services provided are inspired by the principle of having relationships with the patients that are more human, along with more careful handling and the greater accessibility of the service. Welfare Milano aims to take care of people, not just treat their disease. The motto of this social enterprise is 'to take care of people and their families during every stage of their lives, from childhood to old age'.

Website: <http://solari6.it/>

Illustration 7. InConcerto (consortium of social cooperatives)

InConcerto is a consortium that brings together 21 social cooperatives active in the provinces of Padua and Treviso, Veneto.

The consortium was created on the initiative of the social cooperative L'Incontro. This cooperative had been active for more than 10 years in the field of work integration of disadvantaged people, especially people affected by mental illnesses. Over the years, other social cooperatives have been founded to increase work integration opportunities. The consortium was established in 2002 to coordinate the activities of the newly-founded cooperatives.

The main goal of the consortium is to strengthen the network of social cooperatives through the creation an 'internal market' between the associated cooperatives, which reinforces internal bonds and also contributes to boosting the local economy.

The consortium brings together 21 cooperatives, five of which deliver social care services, while 16 operate in the work integration sector. Member cooperatives generate a turnover of EUR 55 million and employ 1 500 workers, of whom 15 % are disadvantaged people. Against this background, the InConcerto can be regarded as a social enterprise district.

Website: <http://consorzioinconcerto.it/>

Illustration 8. Banca Prossima S.p.a (bank)

Banca Prossima specialises in providing financial support to social enterprises. Banca Prossima's statutory objective is the creation of social value, and the only potential barrier to the provision of finance to social enterprises is the economic or social unsustainability of the organisation.

The bank developed a rating system based on indicators that take into account the specificities of the non-profit sector, such as the social enterprise's governance structure, the mix between public and private customers, the internal forms of stakeholder engagement and fundraising ability. The bank has introduced a series of innovative forms of funding and support services for social enterprises, including:

- special bonds that can be transformed into low interest rate loans;
- guarantee funds in support of activities in regions less well-served by the banking system because more risky when compared to the national average;
- Terzo Valore (Third Value) a service that provides individuals and organisations with the possibility of funding projects developed by non-profit organisations with a guarantee of repayment of the capital invested.

In order to be efficient, according to representatives of Banca Prossima, financial support to social enterprises needs to be based on innovative forms of cooperation between different actors, including private investors, public authorities, banks, foundations and social enterprises. These innovative sources of finance would need to combine different financial instruments and forms of investment, such as loans, social bonds, public authority guarantees, crowd funding, equity and donations. Stability in public policies in support of social enterprises is considered as an important factor, in order to ensure the predictability of revenues.

Source: information provided for this study by representatives of Banca Prossima

Illustration 9. Oltre Venture (Impact Investing operator)

Oltre Venture was created in 2006 from a previously established foundation (Fondazione Oltre). It supports social venture capital investments and provides financing opportunities to organisations aiming at creating a positive social impact. The first fund (Oltre 1) was launched 2009 and supported the start-up and development of a network of medical centres based in Milan (Centro Medico Santagostino) through an investment of EUR 2.5 million and participation in 90 % of the organisation's equity. A second fund (Oltre 2) was launched in 2016. So far it has collected EUR 25 million from the EU social fund, the Italian investment fund Cassa Depositi e Prestiti, and private investors. Investments to be supported by the fund can be made either in existing enterprises (that need to grow further) or in startups. The main sectors of investment are: the social sector (education, health, social housing, work integration); services that address the need of families, the elderly, youth and children; and sectors that are strategic for the development of the weakest areas of the country and focus on enhancing local strengths (such as agriculture and tourism).

Oltre Venture defines social enterprises as businesses that exist to address social or environmental needs while adopting a profitable business model in order to be sustainable. As explained by the representative of Oltre Venture consulted for this study, the presence of a social mission is a key criterion for investment. The products and services provided in support of social enterprises include unsecured loans, equity and quasi-equity, pre-start business support, investment readiness support and investment structuring.

Website: <http://www.oltreventure.com/>

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