

SENTINEL - CE985

O.T3.2 - Policy recommendations targeted at national level

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Executive summary

GERMANY

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National context/environment of social economy and description of the challenge/problem which the recommendations aim to tackle (~1000 characters)

There is no definition for social entrepreneurship in Germany. Nonetheless, the growth of new, more market-oriented social enterprises is ongoing with the sector gaining size and visibility, however, still on a limited scale.

To foster the development and longevity of social enterprises it is usually those instruments provided and tailored for start-up and growth processes of regular, profit-oriented businesses, which are open to SEs too. However, SEs also have specific features which distinguish them from purely commercial companies and which must be taken into account when designing conducive policy measures. Thus, their access to conventional financing is more difficult because of their specific characteristics (unfavourable risk-profit ratio, market niche activity, etc.) and because financial markets for social investment are still underdeveloped. In addition, the survival and growth of social enterprises is also influenced by internal factors. For example, during their start-up phase questions regarding business case development and market perspectives tend to fade to the background due to an overemphasis on the work related to the SE's social mission. Here, expanding available support is necessary.

While the aim to promote social entrepreneurship has been adopted by both the federal government as well as numerous state governments, actions are yet to be taken.

Main SENTINEL activities and results leading to the recommendations (~1000 characters)

The recommendations are based upon the project's needs analysis, which relied on research and inputs from previous projects, numerous stakeholder exchanges, and desk research. In addition, the results gathered during project workshops conducted as part of the Soцент cycle tour helped to validate and deepen the understanding relating to regional needs and potentials.

Summary of policy recommendations formulated (~4000 characters)

To further promote the emergence and sustainability of social enterprises in Germany, tailor-made and special advisory services should be expanded in order to further strengthen SEs in their quest to build a (financially) sustainable social business. Such bespoke publicly supported infrastructure for social entrepreneurs is limited. Similarly, state actors should re-adjust public procurement procedures towards criteria that are centred around sustainability and regional development instead of price only. This is closely linked to the necessity for greater awareness among public officials concerning the potential of SEs to address social and ecological challenges effectively. The promotion of financing models from other countries such as Social Impact Bonds, Social Impact Incentives, Social Success Notes would, too, help accelerate growth and impact of SE. Finally, the legal framework concerning "public benefit companies" must be opened up to allow for dividend payouts and a greater accumulation of reserves to weather times of crises.