

## FUNDING

Historically, Work Integration Programmes (WIP) in Europe have been largely funded by public policies. Nevertheless, their long-term sustainability is a permanent challenge, especially when dealing with the specific needs of the most marginalised groups.

The hurdles include among others: insufficient programme length, issues with the target group criteria to access public programmes, inadequate recognition of the skills of workers undergoing integration. Some of the negative effects caused by these obstacles [have already been studied](#), such as the 'creaming effect' according to which only those who are closer to the labour market are integrated, leaving aside the most distant; the vicious cycle of starting and finishing integration processes without ever making the transition to the "regular" labour market and social inclusion.

In the current setting, the State is stepping back from its funding role and recommends that promoters find alternative sources of income, whether through for-profit activities or through solidarity and philanthropy initiatives from civil society.

Social enterprises in particular are being encouraged to increase their sources of income, with an emphasis on for-profit activities, fundraising and volunteer work. At this time, the main challenge resides in developing management models which are capable of dealing with the hybrid nature of their assets (commercial income, diverse public financing, corporate social responsibility, etc.). Managing multiple income streams requires developing specific expertise which goes beyond the mere adjustment of corporate management's financial efficiency and effectiveness tools.

As a promoter of WIPs, there are some points you must take into consideration when planning the funding of your activity:

1. Market appeal
2. Keeping up with new concepts, products and services in the financial sector
3. The opportunities offered by the Europe 2020 Strategy

### **1. Market appeal**

Many WISEs are already involved in for-profit activities and use the income generated by those activities to support themselves. Therefore, when you design your Work Integration Programme you should consider maximising the opportunities to participate in for-profit activities.

More and better relations with market economy's logic, tools and agents are required.

Some of the models and practices that have been adopted are:

- Extending the services provided to a wider and more diverse range of customers, in some cases adopting differentiated pricing policies adjusted to the customers' income level (e.g. a social canteen that extends its services to higher income groups or creates an additional catering service targeted at these groups )
- Adopting labelling strategies highlighting social causes and appealing to responsible consumption, which may include new partnerships with suppliers and customers

- Professionalising financial and resource management through the use of private for-profit sector methods
- Establishing close relationships with for-profit companies and their philanthropy and corporate responsibility mechanisms, not only as a means to improve the organisation's image with potential funders but also to share knowledge on areas such as strategic management, communication or evaluation
- Developing commercial relations and strategic partnerships between social enterprises and between these and other economic agents, public authorities and universities
- Generating revenue from renting physical structures and equipment, e.g. letting spaces such as classrooms, event halls or other equipment
- Creating for-profit businesses in the open market, unrelated to the mission but whose profit is entirely channelled to supporting your organisation's social work
- In the particular case of WISEs, there is also the possibility of offering human resources management services to companies (see: [TRANSFER-IOD Network](#)).

## 2. Keep up with new concepts, products and services in the financial sector

In order to keep up with current trends, it is necessary to keep track of the changes taking place in the financial sector. What is at issue is the change in the traditional borders between public and private funding and the diversification in the markets of financial goods and services. Some of the new alternatives to State funding include:

- *Fundraising* consists in various processes of soliciting and collecting voluntary contributions of money or other resources by requesting donations from individuals, businesses or charitable foundations. Today, these and other similar solutions such as corporate sponsorship and patronage constitute a significant market for specialised labour, which has led to the creation of specialised departments within many NGOs.
- *Crowdfunding* is an emerging alternative form of funding that connects directly those who can give, lend or invest money to those who need funding for a particular project. It involves open calls to the public, generally via internet, to finance a given project through a monetary contribution in exchange for a reward, product pre-ordering, lending, or investment. The EU is studying its potential and its risks, as well as the applicable legal framework. If you feel this funding alternative may be adequate for you, follow the [European debates and directives](#) closely.
- The concept of *social investment* (the provision of finance to generate social returns accepting lower financial returns in order to generate greater social impact) is also fostering experimentation with finance products designed specifically for high-impact social mission projects. The social venture capital funds used by [Kiva](#) or

[Ashoka](#) are good examples of these products. The EU is also studying key policies for social investment in several areas, including job-search assistance and rehabilitation. Keep track of the [Social Investment Package](#).

- [Social Impact Bonds](#) are currently under debate in the USA and some European countries. Social Impact Bonds constitute a new approach to the funding of social services and social innovation, whereby governments contract with a private-sector intermediary to obtain these services and pay for them if (and only if) the intervention is successful. This instrument enables a re-allocation of risk between the two sectors. The intermediary obtains operating funds by raising capital from independent for-profit or philanthropic investors who provide up-front capital in exchange for a share of the government payments that become available if performance targets are met. The intermediary uses these operating funds to contract service providers who carry out the interventions required in order to meet the performance targets.
- *Other financial instruments* stem from more traditional banking products such as loans and credits. In some countries, these products are presented as an alternative to subsidies and scholarships. Microcredit stands out among this type of product. Initially conceived for people stricken by extreme poverty (e.g. [Grameen Bank](#)), it has been replicated all over the world under diverse social and economic contexts and currently is also used to fund social enterprises.

Finally, we must mention the whole spectrum of solidarity-based funding which has been developing since the late 20<sup>th</sup> century, often associated to the ideals of the Counter-Hegemonic Globalisation Movement of the [World Social Forum](#). Solidarity finance consists of co-ops, financial mutuals and other social economy organisations which apply principles of solidarity to the financial sector. Solidarity finance organisations are based on a framework of common interest. They finance projects and people with a view to increasing social capital, supporting those experiencing poverty, exclusion and very limited access to credit, aiming to achieve fair and sustainable development. A few examples of solidarity finance products and services: collective funds and locally based savings and investment clubs; Ethical Banks (e.g. [Banca Etica Popolare](#), [Fiare Banca Etica](#) or [Triodos Bank](#)); social currencies; barter marketplaces.

### 3. The opportunities offered by the Europe 2020 Strategy

[The European Strategy for the period 2014-2020](#) confers a prominent role to social enterprises and constitutes an unprecedented opportunity for their acknowledgement and participation in policy-making at EU level. There are many initiatives which either directly or indirectly affect social enterprises and the intervention in the fight against unemployment, poverty and social exclusion. There are three issues particularly worth noting:

- The [Social Business Initiative](#). It aims at stimulating the creation, development and growth of social enterprises. It involves, among other aspects, the establishment of a favourable setting

for social entrepreneurship, social enterprises and WISEs, including the adjustment of legal frameworks, access to funding through EU funding and new funding systems or the creation of networking, mapping, dissemination and marketing platforms.

Follow closely the debates at European level. Decisions are being taken that can have binding effects on member States. You can have a role assisting your State in the adaptation of these rules into your national panorama. These may be relevant issues to foster networking, advocacy and lobbying strategies at the level of your Work Integration Programme.

- The [social innovation policy](#). The idea of social innovation refers to the search for new ways of creating solutions (products, services, methodologies, funding models, etc.) to social needs which are not provided for. At the same time, it refers to the potential of transformation (the social impact) your solutions may have in the long term. The underlying premise is that innovative and sustainable ideas with a social mission must be fostered and incubated and they must feature the ability to be replicated and scaled up to reach the largest possible number of beneficiaries, thus having a substantial social impact.

Keep in mind that, due to the influence of social innovation, access to funding is becoming increasingly conditioned by criteria that require demonstrating results and early guarantees of social impacts (see: [Funding Social Innovation](#)). Therefore, your Work Integration Programme should include the right partners and the know-how to allow for the effective use of the methodologies required to demonstrate results and social impacts, thus coping with the criteria currently favoured by funders, such as sustainability, replication and scalability.

- EU's new programmes such as [Erasmus +](#), [Horizon 2020](#), [Europe for Citizens](#), and [EaSI](#) (Employment and Social Innovation). Keep close track of these opportunities and bear in mind that the access to these programmes requires working in partnerships at a transnational level.

On a final note, it is wise to catch up with networks comprised of WISEs and other social enterprises, which are congregating and supporting local organisations and creating a framework for wider discussion of public policies through advocacy and lobbying (e.g. [ENSIE](#)).