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# *Model of social incubation in Italy*

## *National report*

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# Model of social business incubation for entrepreneurs in Italy -2021-

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## Chapter 1. Social business in Italy

### 1.1. Social entrepreneurs/ social enterprises/ social business

In recent years, social enterprises have steadily increased in size and relevance and have attracted considerable interest from a range of stakeholders, including researchers, policymakers, governments, international institutions and financial intermediaries in most European countries, as social economy and social business are seen as the answer to rapid economic, social and cultural change. However, despite the fact that they are considered fundamental due to the positive impact they have in our societies, and despite the fact that the discussion at European level tends to find more and more a convergence of ideas, there is no univocal definition, except for the one provided by the European Commission through its Social Business Initiative (SBI).

This definition has been further articulated at the operational level on three dimensions that distinguish social enterprise (European Commission, 2011):

- The **social** dimension requires the social enterprise to pursue an explicit social objective. It must therefore be designed to produce benefits for the community as a whole or for disadvantaged groups.
- The **entrepreneurial** dimension requires that the social enterprise has the typical characteristics of any form of enterprise, conceived as a legal entity in its own right.
- The ownership dimension of **governance** requires the adoption of decision-making processes that are not based on capital ownership and are instead able to involve all or almost all of the groups involved in the activity. It also implies the adoption of decision-making processes that are not based on capital ownership and are instead able to involve all or almost all the groups interested in the activity.

#### 1.1.1. Definition of social business

Based on this definition, social enterprises, in addition to showing the typical characteristics of all enterprises, must pursue an explicit social objective. This implies that the products supplied/activities managed, must have a connotation of public and social interest.

Its main purpose is to have a social impact, rather than to maximize profit for its owners or shareholders. Enterprises providing social services and/or goods and services to vulnerable people are a typical example of a social enterprise.

In Italy, according to the recent Legislative Decree n.112/2017 modified with the Legislative Decree n.95/2018, the qualification of Social Enterprise can be acquired by private entities and companies that carry out, on a permanent and main basis, a business activity of general interest, nonprofit and for civic, solidarity and social utility purposes. It is allowed for the Social Enterprise to share its profits, although in a limited form.

The status of Social Enterprise is established by public deeds. The constitutive Act must specify the corporate character of the company by defining the corporate purpose and the absence of profit-making purposes in compliance with the legislative decree 112/2017.

Social Cooperatives and their consortia acquire the status of Social Enterprise by law. Instead, the Religious Bodies which are civilly recognized (which have legal personality under the law of the State), can adopt the status of Social Enterprise only if they explain within a public regulation that they carry out their activities with the general interest defined by the Legislative Decree n° 112/2017.

Cannot acquire the qualification of Social Enterprise:

- companies set up by a single natural person;
- public administrations;
- entities which limit the supply of goods and services to members or associates only.

The main criteria that justifies the subscription within the social enterprise list is that the company turns its business mainly (more than 70% of its revenues) to socially useful activities. The sectors defined by the regulations for this purpose are the following:

- Social and health care;
- Education and training;
- Instrumental services for social enterprises;
- Protection of the environment and ecosystem;
- Enhancement of cultural heritage;
- Social tourism;
- University;
- Post-university education;
- Research and provision of cultural services;
- Extra-school education.

Social business can therefore be defined as enterprises whose main activity is in the sectors listed above.

A company is also considered a social enterprise if its purpose involves the job placement of disadvantaged or disabled people ("integrated social enterprise"). In fact, the Decree on Social Enterprise provides that independently of its object, it is considered to be of general interest the business activity in which, in pursuit of civic, solidarity and socially useful purposes, are employed:

- a) very disadvantaged workers within the meaning of Article 2(99) of Commission Regulation (EU) No 651/2014 of 17 June 2014, as amended (a worker who has not been in regular paid employment for at least 24 months or a worker who has not been in regular paid employment for at least 12 months and who belongs to the categories of "disadvantaged worker");
- b) disadvantaged persons or persons with disabilities within the meaning of Article 112, paragraph 2, of Legislative Decree no. 50 of 18 April 2016, as amended, as well as persons benefiting from international protection within the meaning of Legislative Decree no. 251 of 19 November 2007, as amended, and homeless persons registered in the register referred to in Article 2, paragraph 4, of Law no. 1228 of 24 December 1954, who are in such a state of poverty that they are unable to find and maintain housing independently.

To this end, the social enterprise must employ a number of persons referred to in letters *a)* and *b)* of not less than thirty percent of the workers.

Not included in the regulations concerning social business and social enterprises are instead the for-profit enterprises that invest part of their revenues and activities in the social field; we are talking about Corporate Social Responsibility (CSR): it includes all those activities carried out by large, small and medium-sized enterprises (for-profit) to actively address the issues of social and ethical impact both towards their employees and towards the external and more heterogeneous community (from suppliers to citizens).

For non-profit organizations and social business, CSR can represent a great opportunity for collaboration and the development of win-win partnerships with private enterprises: win-win for the company, the non-profit and the community. Indeed, socially responsible companies often establish relationships with non-profit organizations and support their activities not only financially, but also through the transfer of goods, services and expertise.



### 1.1.2. Public policies for social businesses

Recently, policies at national and European level have recognized the importance of the Social Economy in contributing to development, fostering growth, triggering virtuous paths and reducing unemployment. A clear definition of the term "Social Economy" is not yet available at European level. The same applies to the regulatory framework, where the laws governing the different Social Economy organizations vary significantly from country to country.

In several official documents of the European Commission and the European Parliament the Social Economy is identified as a group of socio-economic actors whose general purpose of activity is not profit-oriented or profit-distributing but rather the provision of goods and services according to principles such as reciprocity and democracy. In other words, these organizations orient their activities towards their members or the community, pursuing objectives of general interest. In the past decade, several EU institutions have demanded the introduction of public policies to promote the social economy at European, national and regional level.

At national level, The Directorate General for the Third Sector and the Social Responsibility of Italian enterprises promotes, develops and supports Third Sector organizations and social business with activities, projects and initiatives carried out at national and EU level by Third Sector organizations in collaboration with: Central Administrations, Territorial Authorities, Community and International Bodies, schools, universities, enterprises.

The main public policy framework dedicated to social enterprises and social business in Italy includes legislation relating to the social economy, and is represented by Legislative Decree No. 112/2017 also referred to as the "Third Sector Reform".

The third sector includes not only social enterprises, but also social cooperatives and their consortia, excluding banking foundations.

The decree defines social enterprise as any private organization, which carries out on a stable and principal basis an entrepreneurial activity "in the general interest", without profit and with civic, solidarity and socially useful aims.

The reform of the Third Sector and the adoption of the Code (which repeals the previous legislation on the establishment and operation of social promotion associations L.383/2000, voluntary associations L.266/91 and art.266/91 ONLUS. 10 of Legislative Decree 460/1997), reveals a willingness to place the

activity of the entities that will be called Third Sector entities on a different level. In particular, under Article 5 of the Code, it is stated that the activities that can be carried out in order to obtain the status of third sector, must meet needs of general interest and is free to carry out various activities (as defined in Article 6), to raise funds (Article 7) and carry out these activities, not occasionally but continuously, through the sale of goods and services.

Necessary for the definition of a social enterprise is its own statute or public act<sup>1</sup>. The legislation also specifies that the income cannot be redistributed among the members of the enterprise but must be directed towards the pursuit of one's socially useful purposes or the increase of one's assets.

The legislative objectives of the current reform are:

1. To encourage and guarantee the widest possible exercise of the right of association, recognizing its value in becoming an instrument of personal promotion and democratic participation, solidarity, subsidiarity and pluralism, pursuant to Articles 2, 3, 18 and 118 of the Constitution.
2. To recognize and favor private economic initiative in order to increase and improve the levels of protection of civil and social rights.
3. Favoring and promoting the autonomy of entities, enabling them to achieve their aims, in order to protect the subjects involved.
4. To increase the legal consistency and transparency of associations.

The decree also establishes an extensive list of sectors in which social enterprises can operate and a strengthening of internal controls.

### 1.1.3. Data on social economy entities in Italy

According to Lori (2019) in Social enterprises and their ecosystems in Europe – country report Italy, we have this data: *According to the census conducted in 2018, in 2017 there were 350,000 NPOs active in Italy, of which 4.5% (15,770) were social cooperatives, 85.1% were associations, 2.1% were foundations and 8.3% were other legal forms (mainly religious entities).* (European Commission, 2019).

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<sup>1</sup> Document drawn up, with the formalities required by law, by a notary or other public official authorised to give it public legitimacy in the place where the document is drawn up (Art. 2699 of the Civil Code).

## Non-profit Sector

In 2017, there were 350,492 non-profit institutions active in Italy – 2.1% more than in 2016 – and they employed 844,775 employees (+3.9%). The non-profit sector continues to expand with higher average annual growth rates to those that are relevant for market-oriented companies, in terms of both the number of companies and the number of employees. Consequently, the importance of non-profit institutions increases compared to the overall Italian production system, from 5.8% in 2001 to 8.0% in 2017 by number of units and from 4.8% in 2001 to 7.0 % of 2017 by number of employees. Compared to 2016, the growth in the number of institutions is more sustained in the South (+ 3.1%), in the North-West (+ 2.4%) and in the Center (+2.3 %). The most dynamic regions are Campania (+ 7.2%), Molise (+ 6.6%), the Autonomous Province of Bolzano (+ 4.2%), Calabria (+ 3.3%) and Lazio (+3.1 %). A decrease is noted for Sardinia (-5.6%) and, to a lesser extent, for Puglia (-1.2%). Despite the more sustained dynamic in the South, the location of non-profit institutions remains very concentrated in the area, with over 50% of the institutions active in the Northern regions, against 26.7% in southern and insular Italy (data from Forum Terzo Settore).

The number of non-profit institutions per 10.000 inhabitants is an indicator that measures the relevance of the non-profit sector at a territorial level: if in the Center-north this ratio assumes values greater than 60 (in particular in the North-east, where it reaches the level of 69.2), in the Islands and in the South it is 48.3 and 43.7 respectively.

**Table. Estimated number of Social Enterprise 2017**

Legal type	SEs	Paid workers	Annual turnover (million EUR)
Social cooperatives	15,770	441,000	11,900
<i>Ex lege</i> SEs*	600	50,000	800
Associations & foundations	86,091	403,800	30,000
<b>Total</b>	<b>102,461</b>	<b>894,800</b>	<b>42,700</b>

Source: Lori 2019.

\* Estimates based on the Register of Chambers of Commerce, excluding associations, foundations and social cooperatives already counted in the related data.

Compared to 2016, non-profit institutions are increasing for all legal forms, more accentuated for associations (+2.0%) and with the exception of foundations, slightly decreasing (-0.9%). The association is the legal form that collects the largest share of institutions (85.1%), followed by those with another legal form (8.3%), social cooperatives (4.5%) and foundations (2.1%).

Employees increased more in associations (+ 9.3%) and foundations (+ 3.8%). The distribution of employees by legal form remains rather concentrated, with 52.2% employed by social cooperatives, a share of 20.0% and 12.1% respectively in associations and foundations.

### **Social cooperatives**

The latest available data on social cooperatives concern 2017, when 15,770 social cooperatives were registered, which represent 4.5% of social enterprises.

The largest number of social cooperatives is found in the northern regions (36.8%), followed by the southern (28.0%), central regions (18.0%) and Sicily and Sardinia (17.2%).

With regard to the sectors in which Italian social cooperatives are most active, in 2017, 45.1% of them work in the social services sector, 8.4% in education and research, 7.7% in health and 2.5% in sports, culture and leisure activities. A further 34.9% were engaged in work integration and social cohesion.

Social cooperatives support a wide range of target groups, 70% of them provide social services to the community at large; 30% facilitate the integration of disadvantaged groups, such as people with physical or mental disabilities, current or former psychiatric patients, drug and alcohol addicts, young individuals from families in difficulty, migrants, asylum seekers and criminals sentenced to prison sentences that are alternatives to imprisonment.

### **Associations and foundations**

The data concerning social enterprises established as associations and foundations refer to the 2011 ISTAT census. According to this census the number of associations and foundations is 289,927, of which 82,231 (28%) have at least 50% of their costs covered by revenues from the sale of goods and services to private or public bodies on the basis of contractual agreements.

Compared to social co-operatives, associations and foundations are constantly engaged in diversified economic activities, as they range from very small organizations, often without employees, to large entities running hospitals and important research centers.

However, according to ISTAT (data from 2011) the 82,231 associations and foundations that run market activities generated €33 billion in total revenues in 2011, or three times the total revenues generated by social cooperatives.

## Mutual aid societies

Mutual benefit societies are made up of people who volunteer contribute to a common purpose. These organizations mainly provide grants with the aim of assisting their members in case of illness, temporary or permanent disability or old age and, in general, in case of events affecting their life and working capacity.

Mutual benefit societies decreased in importance and social significance after the creation of the national health system in 1979.

However, some recent changes in public health have stimulated a renewed interest in these organizations, according to the IRIS network (Venturi and Zandonai 2014), 109 mutual benefit societies were registered as social enterprises in 2014.

## 1.2. Social Entrepreneurship in Italy

### 1.2.1. Typology of social business in Italy

The recent reform in the social sphere I D.Lgs. 117/2017 has provided the definition of third sector bodies in the Article 4(1) of the:

*..."The bodies of the third sector are voluntary organizations, associations for social promotion, philanthropic organizations, social enterprises, including social cooperatives, association networks, mutual benefit societies, recognized or unrecognized associations, foundations and other private companies other than companies established for the exercise of non-profit activities, which carry out one of the activities of general interest in the form of voluntary action or free provision of money, goods or services, or mutuality or production or exchange of goods or services, which are registered in the single national register of the third sector".*

Are considered third sector actors:

**1. Voluntary organizations**, organizations whose purpose is to carry out activities of general interest in favor of third parties, relying mainly on the voluntary work of their members. They are non-profit making and workers cannot be more than half of the volunteers.

**2. Associations of Social Promotion**, an association which carries out activities in the general interest for the benefit of its members or third parties mainly through the voluntary work of its members.

**3. The Social Cooperative** is a particular form of Cooperative introduced and regulated by Law 381/1991 and Decree 112/2017 as a Social Enterprise. It qualifies as a particular form of Cooperative Society aimed at pursuing the general interest of the community in human promotion and social integration of citizens.

Social Cooperatives are divided into 3 types:

1. aimed at providing social, socio-medical and educational services, vocational education and training, extracurricular training, job placement (type A);
2. carrying out different activities – agricultural, industrial, commercial or services - aimed at the employment of disadvantaged people (type B);
3. mixed type A and B cooperatives may also exist.

Social Cooperatives, unlike other types of Cooperatives, can also have voluntary members (at most half of the working members) and if of type B, they must have at least 30% of disadvantaged workers who, by virtue of personal conditions, must be associated.

**4. Philanthropic organizations**, is a particular Third Sector Organization (ETS) provided for by the Third Sector Reform and described in the Third Sector Code. The purpose of a philanthropic organization is to provide money, goods or services, including investment, to support categories of disadvantaged people or activities of general interest. The economic resources needed to carry out its activities are mainly derived from public and private contributions, donations and testamentary legacies, asset returns and fundraising activities.

**5. Mutual Aid Societies**, non-profit making companies which pursue general interest objectives by carrying out exclusively for the benefit of their members and members of their families a number of activities which are exhaustively listed.

**6. Social enterprises**, the status of Social Enterprise can be acquired by private entities and companies that carry out on a stable and principal basis a business activity in the general interest, on a non-profit basis and for civic, solidarity and socially useful purposes, and is regulated by Legislative Decree 112/2017. The Social Enterprise is allowed to distribute profits and operating surpluses, albeit in a limited form. Social Cooperatives and their consortia acquire by right the status of Social Enterprise. Civilly recognized Religious Entities may adopt the Social Enterprise status only if they carry out the business activities of general interest defined by Legislative Decree 112/2017 and define them with a regulation in the form of a public deed or authenticated private deed aimed at transposing the provisions of the Legislative Decree.

### 1.2.2. What activities can a Social Enterprise carry out?

A Social Enterprise can only carry out the activities of general interest provided for by law, namely:

- social interventions and services;
- health interventions and services;
- social and health services;
- education, education and vocational training activities;
- interventions and services aimed at safeguarding and improving the conditions of the environment and the prudent and rational use of natural resources, with the exclusion of the activity, habitually carried out, of collecting and recycling urban, special and dangerous waste;
- interventions for the protection and enhancement of the cultural heritage and landscape;
- university and post-graduate training;
- scientific research of particular social interest;
- organization and management of cultural, artistic or recreational activities of social interest, including activities, including publishing, promotion and dissemination of the culture and practice of voluntary work and activities of general interest referred to in this article;
- organization and management of tourist activities of social, cultural or religious interest;
- out-of-school training, aimed at preventing school drop-out and educational and training success, preventing bullying and combating educational poverty;
- instrumental services to social enterprises or other third sector entities;
- development cooperation;
- commercial, production, education and information activities, promotion, representation, licensing of certification marks, carried out within or in favor of fair trade supply chains;
- services aimed at the integration or reintegration into the labor market of workers and disadvantaged persons;
- social housing and any other activity of a temporary residential nature intended to meet social, health, cultural, training or employment needs;
- humanitarian reception and social integration of migrants;
- microcredit;
- social agriculture;
- organization and management of amateur sporting activities;
- re-development of unused public property or property confiscated from organized crime.

In summary, the sectors in which Italian social enterprises are most involved are:

- culture, sport and recreation sector (64.5%);
- social assistance and civil protection (9.2%);
- union relations and interest representation (6.5%);
- religion (4.8%);
- education and research (4.0%);
- health (3.5%).

A social enterprise is also considered to be one which, independently of carrying out socially useful activities, has as its aim the employment of disadvantaged or disabled persons.

Compared to 2016, the institutions with the highest percentage increase are those active in the sectors union relations and interest representation and education and research (+3.7%) and cooperation e international solidarity (+ 3.5%); on the contrary, the sectors of economic development are slightly down social (-1.9%) and environmental (-1.3%) cohesion.

**Cooperative Societies**, are one of the types of societies regulated by the Italian Civil Code and characterized by the mutualistic purpose. Cooperatives are governed by the specific rules of the Civil Code, from Article 2511 to Article 2548, and, where compatible, by the provisions on joint stock companies (Art. 2519 par. 1). They are not regulated by law from the D.Lgs. 117/2017, but they play an important role inside the social business sector, thanks to the fact that they are involved in different sectors.

Moreover, the mutualistic purpose is defined by the doctrine as the *“intention to provide goods, services and work opportunities directly to the members of the organization at more advantageous conditions than they would obtain from the market”*. Co-operative societies are therefore societies set up to manage enterprises whose fundamental purpose is to provide their members (the mutualistic purpose mentioned above) with those goods or services for which the co-operative was created. Cooperative societies operate in a variety of sectors, for example:

- the cooperative credit sector through the institution of Cooperative Credit Banks (BCC). In this case, the aim is to make a fair credit policy towards their members and customers, departing from the logic of mere profit. In fact, cooperative credit banks in Italy have become very similar to ordinary commercial banks, which is why in 2015 the Renzi government intervened with a reform;



- the production sector as in agricultural cooperatives, where each member gives his products to the cooperative in order to resell them;
- the labour sector in general, where the cooperative directly employs the work of its members;
- the construction sector with building cooperatives.

### 1.3. Challenges and needs

The emergence of social enterprises in Italy has clearly been a bottom-up phenomenon. Indeed, social enterprises are, regardless of the legal forms used and the activities carried out, a bottom-up phenomenon. This makes the Italian experience unique in comparison to what has happened in other European countries, where social enterprises have often been developed through a top-down process (Hulgård and Spear, 2006). In other words, social enterprises and Italian social business arise from spontaneous initiatives of groups of citizens supported by widespread social participation and civic engagement.

In just over thirty years, social enterprises have grown in number and in economic and social terms, especially in terms of employment and the number of users served. Social enterprises have expanded their activities from traditional social services and employment to new sectors: cultural, health, sport, education and research, and what we hope is that this positive trend will continue despite the current pandemic and that they will have more funds and means at their disposal in the near future.

Reflecting on the challenges and prospects for social business, it is necessary to consider at least four main trends that will influence their future development.

- The first main trend is the emergence of new social needs that the ongoing pandemic has contributed to emerge such as the increase in the number of poor people; the new challenges that our societies will have to face such as climate change, longer life expectancy and thus the increasing number of elderly people in our country, which creates new needs in terms of care for the elderly.
- Secondly, public spending on social services will have to be implemented to improve and benefit sectors such as health, education and employment, which are strongly affected by the current pandemic.

- Thirdly, and this is a welcome challenge, private companies are increasingly aware of the need to provide new services for their employees, such as personal services, health care and education. The Italian government supports this new trend also through tax benefits.
- Finally, a fourth important trend that will influence the future development of SEs is the recent law on the third sector, which reduces the constraints for SEs and increases the number of sectors of activity in which they can operate.

Social enterprises can now be active in a variety of sectors contributing to new innovative processes such as waste management, management of cultural events<sup>2</sup>, social housing, and so on. These sectors are characterized by a growing gap between supply and demand, which social enterprises should be able to take advantage of in order to launch successful businesses.

However, the impact of these four factors on the development of SEs and the provision of services will depend on how the different types of social enterprise respond, but also on the importance attached to them politically and economically, in terms of the funds allocated to them by the public administration, and the fruitful working relationship that will be built.

All these obviously require a radical cultural and paradigm shift for both public administrations and social enterprises, from a market and competition orientation to one of collaboration and cooperation.

Our analysis also shows that social business in Italy is a complex phenomenon, based on different models – such as cooperatives, associations and foundations – each of them is becoming increasingly complex models and specialized in terms of types of activities and types of owners.

However, what we hope, due to the strong social and positive impact they have on our societies, is that social enterprises become increasingly aware of their role and that public policies facilitate their development by funding the services that SEs provide, but also by supporting private demand and strengthening the propensity of SEs to innovate and invest.

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<sup>2</sup> **Cultural and creative enterprises**, all enterprises or entities whose corporate purpose is, predominantly or exclusively, the conception, creation, production, development, dissemination, preservation, research and valorization or management of cultural products, understood as goods, services and intellectual works related to literature, music, figurative arts, applied arts, performing arts, cinematography and audiovisuals, archives, libraries and museums, as well as cultural heritage and related innovation processes.

### 1.3.1. Social business and Covid-19

In the last months, also because the impact of the Covid-19 pandemic (in terms of rethinking the overall apparatus), two (2) new trends have developed:

#### 1) **Community social enterprise**

Community social enterprise is a new way of organizing the continuous and professional production of goods and services of interest to a given community, based on the direct participation of the inhabitants of a given place, who recognize themselves in common development goals and regeneration of assets referable to a specific territory. The idea of community business refers to bottom-up initiatives, which see the participation of several subjects who carry out long-lasting activities and which place the exclusive well-being of their community at the center of their mission. When members live close together and work together for the community, they build a stronger one and, as people come together to work with each other on local projects, human capital grows as well.

Community businesses, therefore, are essentially characterized by two characteristics: the benefit for the reference community, created through a business activity aimed at contrasting phenomena of depopulation, economic decline, social or urban decay and the participation of its members, ultimate recipients of the benefit. In this sense, the community enterprise is open and development-oriented, guaranteeing all its members non-discriminatory access to the goods and services that it produces itself, with a view to the common good. (Depedri and Turri, 2020)

#### 2) **The acknowledgement of cultural industry as a social enterprise (and vice versa)**

We need to initiate a profound change of social cognition in people to make them able to respond with effective routines to recurring problems, with new models. The cultural reprogramming of the relationship with the other by itself is a crucial issue. From all the social surveys (Venturi and Sacco, 2020) it appears that Italy has developed some of the highest forms of irrational aversion to cultural diversity in the world. If the social enterprise learns to use these tools in a different, creative, innovative way, literally working on a learning co-creation process with the more traditional cultural enterprise, extraordinary possibilities open up. Culture shows us that there is no more effective way for example to recover adolescents at risk than to help them find meaning, a purpose in doing things. Culture has a very powerful capacity for orientation. Social policies benefit from a deep, cross-fertilization with cultural tools.

## Chapter 2. Funds for Social businesses

### 2.1. Funding opportunities

Access to finance is one of the main obstacles to the growth of social enterprises, as identified in the **Social Business Initiative (SBI)** adopted by the Commission in 2011.

Therefore, the Commission:

- helps social enterprises access investments of up to EUR 500,000 via public and private investors at national and regional level, as part of the **EU Programme for Employment and Social Innovation (EaSI)**.
- supports social enterprises through pilot equity investments under the **European Fund for Strategic Investments (EFSI)** Equity instrument, namely via funds linked to incubators/accelerators and co-investments with Social Business Angels.
- complements equity investments with grants aimed at covering part of the transaction costs of intermediaries. The grant serves as an incentive for making investments of below EUR 500,000 in social enterprises. A call for proposals was launched in 2017.
- co-funds projects focusing on boosting the development of the demand and supply side of social finance markets in Europe: 21 pilot projects were selected under a call for proposals in 2013 and further 20 projects were selected under a call for proposals in 2016. The projects' journey and experience served as the basis for developing a practical guide on designing and implementing initiatives to develop social finance instruments and markets entitled A recipe book for social finance.
- supports social enterprise via the **European Social Fund**.

The **Ministry of Economic Development** finances the diffusion and strengthening of the social economy at **national level**. Social enterprises, social cooperatives or non-profit organizations are interested. With the decree of 9 April 2019, the Ministry of Economic Development made known that Social enterprises can request the provision of subsidized loans for the diffusion and strengthening of the social economy. Investment programs must include eligible expenses, net of VAT, for an amount of not less than 200 thousand euros and not more than 10 million euros. It's a state program which supports the social economy. This is a subsidized loan for social enterprises, cooperatives and non-profit organizations. The **PURPOSE** is to facilitate social enterprises, whether already established or yet to be established, which pursue aims of social utility and general interest. The aim is to encourage the creation or growth of social enterprises, social cooperatives (and their consortia) and cooperative societies with non-profit

status. The aid consists of subsidized financing for investment programmes aimed at the creation or development of enterprises operating in the social economy, in any sector and throughout Italy.

### **Regional Funds**

LOMBARDY: new subsidized loans approved with the credit support fund for cooperative enterprises.

PURPOSE: to support the creation and competitiveness of Lombard cooperative enterprises, as well as social cooperatives and their consortia, with particular attention to the initiatives undertaken by workers from companies subject to bankruptcy procedures or in conditions of "working disadvantage".

BENEFICIARIES: Lombard small and medium-sized enterprises set up as a cooperative and their consortia (including community cooperatives); cooperative clubs, as defined by L.r. 36/15.

ELIGIBLE INTERVENTIONS: projects aimed at the creation and competitive development of Lombard cooperatives, also through the acquisition of company branches or company assets of companies subject to insolvency proceedings, by new cooperative companies, made up of at least 50% by shareholders who have been employees of the company subject to the procedure or are found to have been unemployed for a total of 6 months, even if not continuous, in the 3 years preceding the submission of the application.

FACILITATION: 10% non-refundable contribution of the admitted expenses and a facilitated co-financing or financial leasing of capital goods, disbursed up to a maximum of 60% of the admitted expenses (up to 70%, for projects presented by social cooperatives) and for the remaining part on resources of the Affiliated Financial Intermediaries.

MAXIMUM: the subsidy will be granted up to a maximum of 100% of the total eligible expenditure (with the exclusion for real estate investments), up to a maximum of € 1,000,000.00 (or € 500,000.00 for the cooperatives set up no more than 12 months and cooperative clubs).

**Bank foundation**, after signing the Agreement between the Ministry of Economic Development, the Italian Banking Association and the Cassa Depositi e Prestiti set up a subsidy fund for businesses to spread and strengthen the social economy. This measure has the task of regulating the granting of subsidized loans for the birth and development of companies operating in the nonprofit world. The Fund for social enterprises is aimed at banks that already have experience in providing loans to the social economy, so that they can take on the role of "lending banks".

**Cariplo** makes grants to third sector organizations for the realization of projects of social utility.

**The Intesa Sanpaolo Group** has joined the Convention with the two institutes that have consolidated experience in this field. These are Banca Prossima, the Group bank specialized in the Third Sector and in the development of a system for assessing non-profit entities for admission to credit, and Mediocredito

Italiano, the bank of Intesa Sanpaolo specialized in subsidized credit. The latter will be the reference of the Credit Institute for the granting of loans for investments envisaged in the context of subsidies to companies in the Third Sector for the diffusion and strengthening of the social economy, using the revolving Fund for Support to Research investments managed by CDP. The intent of the Italian banking group is to ensure, through the Fund for social enterprises, the highest level of service in the nonprofit world in order to grow and develop the best initiatives in the field.

**The CON IL SUD** Foundation, through calls for proposals and initiatives, supports social interventions in the southern areas and in particular in Basilicata, Calabria, Campania, Puglia, Sardinia, and Sicily. The Foundation encourages social cohesion paths in the South to drive their development. It does not intervene directly, but supports projects and forms of collaboration and aggregation between those who intend to commit themselves to the improvement of local communities, with a view to responsibility, participation and solidarity.

The social enterprise **Con i Bambini** was established on June 15, 2016, based in Rome. It is a non-profit company that has as its object the implementation of the programs of the Fund to combat child poverty, provided for in the Memorandum of Understanding signed on April 29, 2016 between the President of the Council of Ministers, the Minister of Economy and Finance, the Minister of Labour and Social Policies and the President of Acri, the association of banking foundations (in implementation of the provisions of art.1 of law no.208 of 28 December 2015). The Foundation aims to combat child educational poverty, which is intended "*to support experimental interventions aimed at removing economic, social and cultural obstacles that prevent the full use of educational processes by minors*". The Fund is powered by the banking foundations, which will benefit from a tax credit.

## 2.2. Fiscal framework of social business

The fiscal framework addressed to both the non-profit sector in general and social enterprises in particular is in a transition phase. Its final design depends upon the full application of the Reform of the Third Sector and Social Enterprise (Decrees 117/2017 and 112/2017), which is waiting for approval from the European Commission.

Nevertheless, social enterprises enjoy and will continue to enjoy different tax regimes depending on the following conditions: *i)* whether they have the social enterprise legal status, and *ii)* what legal form they adopt. The main distinction is between associations and foundations on the one hand, and social cooperatives and social enterprises on the other.

The tax regime for associations, foundations, social cooperatives and social enterprises other than social cooperatives is regulated by both dedicated legislation and Legislative Decree 460/1997, which introduced the fiscal category of "ONLUS" (non-lucrative organizations). This fiscal category is granted by law to voluntary organizations, social cooperatives and non-governmental organizations (NGOs) accredited by the Ministry of Foreign Affairs. It can be awarded by the Fiscal Agency to associations and foundations, provided that they demonstrate that they act on the basis of solidarity.

Social cooperatives enjoy more favorable and consistent fiscal treatment. They are exempted from payment of corporate tax (IRES) on retained profits, and this has actually contributed to strengthening the capitalization of social cooperatives. When compared with the standard VAT rate charged to conventional enterprises (22%), A-type social cooperatives charge a nil or 5% VAT rate.<sup>8</sup> 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.

### 2.3. Crowdfunding

Crowdfunding is bottom-up financing, which is based on the resources of a multiplicity of people who decide to invest in a certain project. The term crowdfunding comes from the combination of the words "crowd" and "funding", indicating the practice of "finding funds through the crowd", i.e. a form of bottom-up microfinancing that relies on the help of benefactors who choose to invest freely, inspired by the project and the proposed idea.

There are different types of crowdfunding, designed to make the experience easier and to better finance one's own project, models that also adapt to the specific tax and economic legislation in force in the various countries:

#### - Reward

This model involves a reward set by the donor for the investor who makes a donation; this can be commensurate with the contribution or even of symbolic value, i.e. less than the donation. For example, this can be a financial return in the form of a sum of money or in the form of a "pre-sale" of the product/service that has been chosen to finance, which can be obtained before it is actually brought to market.

#### **- Donation**

In this type, the investor/financier of the idea or project makes a cash donation without receiving anything in return. This scheme is particularly suitable for financing initiatives of a social and civic nature, those promoted by non-profit initiatives, social purpose entities and other associations that encourage society to cooperate with charitable and philanthropic intentions.

#### **- Lending**

This model allows for the collection of money through a web-based platform that will then disburse the funds in the form of a loan, for a financial consideration, to a wide range of borrowers. In essence, the platform handles requests for funding by seeking out parties willing to participate in providing it to the applicant, receiving in return a return on the capital in the form of interest. As it is a credit intermediation standard, the activity is subject to credit regulations and Bank of Italy supervision.

#### **- Equity**

This type allows investors, in return for financing, to obtain a stake in the financial structure of the financed company. Basically, the investor obtains equity instruments in the risk capital of the financed project with all the resulting patrimonial and administrative rights.

### **2.3.1. Crowdfunding: Legal Framework in Italy**

In most of the countries where crowdfunding portals operate, the phenomenon is not subject to regulation and therefore falls under the scope of existing regulations (calls for public savings, payment services, etc.).

Italy is, however, the first country in Europe that have a specific and organic regulation on equity crowdfunding (only with regard to the equity type, the one that is closest to the functioning of the stock exchange). The rules governing this sector are contained in Decree-Law No. 179/2012, known as the Growth Decree bis, and in the CONSOB regulation of 26 June 2013 on raising capital through online portals.

CONSOB's main objective is to make equity crowdfunding as reliable as possible for investors. For this reason, the authority has imposed precise rules on online platforms of this type. Firstly, equity crowdfunding platforms must be listed in a register of companies authorized to operate in Italy. The



platforms set up may be generalist, or horizontal, allowing the financing of projects of different types, or vertical, specialized in a single sector or product type.

In Italy, there are several portals that deal with fundraising; there are currently 82 platforms (69 of which are already active and others in the launch phase).

### 2.3.2. Crowdfunding opportunities

Here are some of the most important names on the Italian scene dealing with social economy and innovation:

- **Be Crowdy.** Crowdfunding platform for cultural and artistic projects. It allows artists and promoters to propose their projects and finance them with the help of the community. Headquarters in Parma in Strada Naviglio Alto, 4/1. Mail: [info@becrowdy.com](mailto:info@becrowdy.com);
- **BookaBook.** Platform dedicated exclusively to books, where readers and writers can create and finance unpublished books together. Headquarters: Via dei Mille 20, Milan;
- **Crowdfunding Südtirol – Alto Adige.** Launched in 2016, it is based in Bolzano in Via di Mezzo ai Piani, 7. Mail: [innovation@lvh.it](mailto:innovation@lvh.it);
- **De Rev.** *"A leading company in Italy in the crowdfunding market, participatory democracy and viral communication on social media"*. This is how this crowdfunding platform is defined which hosts both fundraising for innovative startups and collection of signatures for various projects and initiatives. Headquarters: Naples, via dei Mille 1;
- **Eppela.** *"Through crowdfunding the future is precluded to no creative or aspiring startupper"*: this is Eppela's mission. The projects to be funded embrace various fields: from art to non-profit, from cinema to social innovation, from technology to music and comics. Headquarters: Piazza dei Servi 11, Lucca. Tel: 0583492768; Mail: [info@eppela.com](mailto:info@eppela.com);
- **Flacowski.** This platform operates mainly in the publishing sector. The headquarters are in Montepellegrino (PA);
- **Ginger.** The name of this platform is an acronym for New and Genial Ideas Management in Emilia Romagna. And the name speaks volumes. Because the goal is to finance innovative projects at the local level. Headquarters: via Lodovico Berti 2, Bologna. Mail: [ginger@ideaginger.it](mailto:ginger@ideaginger.it);
- **Kendoo.** Crowdfunding platform dedicated above all to web projects, news, social media, mobile, ecommerce. Headquarters: Viale Papa Giovanni XXIII, 118 Bergamo. Mail: [info@kendoo.it](mailto:info@kendoo.it); Tel: 0353861111;
- **Land2lend.** Crowd Farming platform, dedicated to the world of food and agriculture. Address: Via Poerio 23 int 1 Rutigliano (BA). Cell 333 113 4321. Mail: [info@land2lend.com](mailto:info@land2lend.com);

- **Musicraiser.** Crowdfunding platform dedicated to music projects. Headquarters: Via Cosimo Del Fante 10, Milan. Mail: [info@musicraiser.com](mailto:info@musicraiser.com);
- **PlanBee.** The goal of this Florentine startup is to make crowdfunding available to the community so that not only entrepreneurs and financiers benefit from it, but an entire community, especially in the green or civic sphere;
- **Schoolraising.** The goal of this platform is to raise funds for school projects that cannot be carried out due to cuts in institutions' funds. Headquarters: Via Giordano 21, Cernusco sul Naviglio (Milan). Mail: [info@schoolraising.it](mailto:info@schoolraising.it);
- **Slow Funding.** Platform dedicated to real estate projects. It is located in Montescaglioso (MT) in Via Cicerone, 35. Mail [info@slowfunding.it](mailto:info@slowfunding.it);
- **Sport Supporter.** Crowdfunding platform dedicated to sports projects. Mail: [sportsupporter@sportsupporter.it](mailto:sportsupporter@sportsupporter.it);
- **Starteed.** It is a fundraising platform, but also a crowd creation platform: with the support of the community, it is possible to start open innovation processes with the aim of improving the development of ideas and projects. Headquarters: Via Via Bligny, 5, 10122 Turin. Mail: [support@starteed.com](mailto:support@starteed.com). Tel: 0172 499021;
- **Triboom.** Platform to finance sports projects by directly involving fans. Mail: [coach@triboom.com](mailto:coach@triboom.com);
- **Ulule.** Platform founded in France in 2010 and also active in Italy. It is considered one of the major reward-based crowdfunding platforms: it has made it possible to finance more than 24,000 projects with a collection of over 117 million euros. Mail: [projects@ulule.com](mailto:projects@ulule.com);
- **WithYouWeDo.** TIM's crowdfunding platform dedicated to social, innovation or environmental projects;
- **WoopFood.** Crowdfunding platform for Italian agri-food projects and excellence. Headquarters: Milan. Mail: [info@woopfood.com](mailto:info@woopfood.com);
- **XiloLive.** Event crowdfunding platform. Address: Address: Via Rimini 49, Prato.

The main challenge for a civic crowdfunding platform is probably cultural and bureaucratic/ legal. On the one hand, the public administration – often the owner of disused spaces – does not know and is not interested in the tool of civic crowdfunding. Often there is a lack of competences within public administrations, which makes it more difficult to approach the instrument of crowdfunding. There are obviously cases in which the public administration makes use of civic crowdfunding (e.g. Milan in the past and again in June 2020), but these are minority cases. Added to this is the problem of legally framing civic crowdfunding. Although Italy was the first country which regulated equity crowdfunding, the lack of a clear regulatory reference makes dialogue with the administrations difficult. On the other hand the instrument of "donation" is notoriously Anglo-Saxon and is not equally widespread in Italy. This

creates an additional barrier for promoters of civic projects and makes it more difficult to reach and convince potential donors.

In order for the donation to be the result of a genuinely relational process and not, as often happens, instrumental and persuasive, it is essential to train fundraising professionals able of combining skills and meanings. Techniques, in fact, belong to the category of “means” and become useful only if the “ends” are coherent and transformative. Italy, in terms of biodiversity and the weight of the nonprofit sector, is one of the most developed countries in Europe: what is needed is the courage to activate a joint action, a convergence capable of generating a new supply of goods and services (of high social and community value and dense with technology) for a demand that will become increasingly strong and intense (already today the demand for goods and services for the person exceeds 120 billion a year). It is not enough to launch calls for social impact projects, it is needed to activate a process (much more laborious but also more promising) that encourages and favours co-production between companies; infrastructural supply chain paths, network contracts, networks of companies capable of encouraging the birth of new hybrid start-ups with a "digital mentality" and a public horizon.

## **2.4. Access to funding for set-up of social enterprises**

Access to credit and financial inclusion are key tools for promoting the economic development and social cohesion of a community and a territory. One of the main problems facing Italian social enterprises is access to credit. The models for accessing traditional financing instruments do not capture the specificities of this particular type of non-profit enterprise, but despite this, new forms of financing are gradually emerging.

Certainly, among the most widespread subsidies are public ones, derived from (co-)funding by public bodies, of which European funds are a good example. These also include funding provided by the Italian Ministry of the Economy, as described in detail above.

Among the community-based instruments we find other classic examples such as donations, 5x1000, free issues by mutual funds and new instruments such as donation crowdfunding, i.e. online platforms where initiatives are proposed, mainly by the third sector and social enterprises, inviting the masses to join and contribute to a social or ethical cause. Crowdfunding is a financing tool that has achieved great success in recent years, especially in Italy.

Among private instruments, foundations are known for providing donations, but the novelty of the category are social bonds, bonds issued by banking institutions with a certain return for the investor, who by purchasing the bond subscribes to a contract in which the amount provided to the institution is

partly donated free of charge by the bank to specific projects of social relevance or alternatively allocated to both specific and general funding funds for the whole third sector.

#### **2.4.1. Access to funding for development of social enterprises**

Over the years, thanks to the European Social Fund (ESF), a variety of measures supporting social enterprises have been activated. Some were targeted specifically at supporting specific activities carried out by social enterprises, such as work integration and social agriculture.

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 social 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 as per Law 381/1991.

The scheme is financed through 223 million EUR and is managed by Invitalia. This measure, which is connected to the Guarantee Fund for social enterprises, provides aid measures for granting in accordance with the European regulations de minimis, to be disbursed in the form of both subsidized loans and subsidies for investment programs undertaken by the above-mentioned enterprises in any sector, as long as it is consistent with their institutional purposes.

Furthermore, work integration (or B-type) social cooperatives, are social cooperatives exempted from payment of national insurance contributions for all the certified disadvantaged workers employed. This measure contributes to significantly reducing the cost of labour (by about 20% to 25% depending on the sector of activity) and compensates, at least to some extent, the reduced level of productivity of disadvantaged workers.

Private funds are generally available through calls for idea promoted by Foundations and charity and philanthropy organizations like Fondazione CARIPLO (Milan), Fondazione Compagnia di San Paolo (Turin).

## 2.5. Social incubation pattern

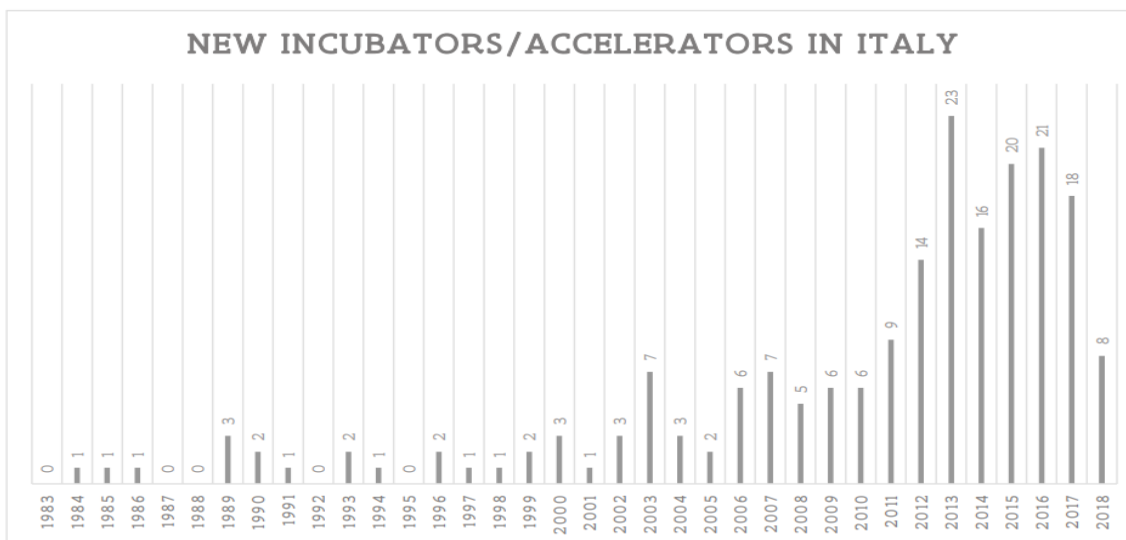
### 2.5.1. History and Legal/ Policies framework

In Italy, the first incubators were established in the 1980s on the initiative of the public sector, in order to promote entrepreneurship and economic development, especially in economically disadvantaged areas of the country. In particular, the Società per la Promozione e Sviluppo Imprenditoriale (SPI), of public nature, played an important role in the creation of the first business incubators specialized mainly in high-tech manufacturing sectors. At the same time, since the end of the 1980s, science and technology parks (STPs) have also implemented incubation programmes since the late 1980s to support the creation and development of new enterprises.

In the late 1990s University incubators have begun to spread also in Italy: these institutions offer transfer-oriented services of scientific and technological knowledge from the academic world. Recently, since the early 2000s, another type of incubator has developed in Italy, private incubators. In the beginning, the aim of incubators was mainly to provide physical and logistical infrastructure to start-ups, later the focus shifted to intangible and higher added value services, such as tutoring, mentoring and networking activities and access to funding.

The certified incubator of innovative startups represents one of the national excellences in the field of incubation and acceleration of new innovative high-tech companies. So, as mentioned above, business incubators and accelerators in Italy have been emerging since the 1980s and have been increasingly recognized over the years.

**Figure. New incubators/ accelerators in Italy**



Source; *"The Italian startup and scale-up ecosystem discover the emerging Italian startup scene!"*  
28.09.2020

**The notion of certified incubator was introduced by Article 25, paragraph 5 of DL 179/2012 and is defined in detail by the Ministerial Decree of 22 December 2016.**

According to the reference legislation (DL 179/2012, art. 25, paragraph 5), a certified incubator is a joint-stock company, also constituted as a cooperative form, resident in Italy, which offers services to support the birth and development of innovative start-ups and meets the following requirements:

- it has structures, including real estate, that are suitable for hosting innovative start-ups, such as spaces reserved for the installation of equipment for testing, verification or research;
- it has equipment suitable for the activity of innovative startups, such as ultra-wideband access systems to the Internet, meeting rooms, machinery for testing, trials or prototypes;
- is administered or directed by persons of recognized competence in the field of enterprise and innovation and has a permanent technical and managerial advisory structure at its disposal; has regular collaborative relationships with universities, research centers, public institutions and financial partners carrying out activities and projects related to innovative start-ups; it has adequate and proven experience in supporting innovative start-ups.

### 2.5.2. Typology of social incubators

According to the recent Social Impact Outlook<sup>3</sup> study presented by Tiresia – research center of the Politecnico di Milano, the trend is positive and the number of accelerators in Italy is constantly increasing, especially thanks to the innovative role of startups, as certified by the Social Innovation Monitor, a research group of the Politecnico di Torino (Department of Management Engineering and Production) that has carried out an analysis of innovation and social entrepreneurship in collaboration with Italia Startup and with the support of Cariplo Factory, Compagnia di San Paolo, Impact Hub Milano, Make a Cube3, SocialFare and Social Innovation Teams.

The report of the Social Incubator Monitor, counted 162 incubators in Italy, and the types of incubators identified were:

- Business incubators - 0% of incubates with significant social impact compared to the total;
- Mixed incubators - from 1 to 50% of incubated companies with significant social impact compared to the total number of companies;
- Social incubators - More than 50% of incubated companies with significant social impact compared to the total.

From the point of view of legal nature, we find:

- Public incubators: organizations managed exclusively by public administrations or bodies, often through the creation of regional “in-house” companies;
- Public-private incubators: organizations whose membership includes both public and private entities;
- Private incubators: organizations managed exclusively by private entities.

The data show that more than 60% of Italian incubators are private in nature. Only a small percentage (less than a fifth of the total) is public in nature.

In Italy there are 15 university incubators and 9 incubators with the EC-BIC quality certification mark. About half of the incubators in the sample incubate organizations with significant social impact (mixed and social incubators). 90% of social incubators are private in nature, one in ten are public. Mixed

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<sup>3</sup> TIRESIA IMPACT OUTLOOK 2019, <https://www.torinosocialimpact.it/documentazione/tiresia-impact-outlook-2019/>

incubators are also predominantly private in nature 63.6%, while business incubators are almost equally divided between public 30%, public-private 35% and private 35%<sup>4</sup>.

### 2.5.3. Services and methods offered by incubators

Incubators provide start-ups with offices, premises, furniture, and access to infrastructure, Internet and computer labs. For some incubators, giving incubated enterprises the possibility to operate within their premises is the only real service provided. As far as the provision of physical resources is concerned, incubators compete with science and technology parks and sometimes with real estate agencies. In addition to infrastructure, incubators may also offer secretarial services, reception, mail, IT support, etc., as well as a range of other services. Although these organizational and administrative services are not complex or technologically advanced, they allow young entrepreneurs to focus their resources on developing the value proposition.

Also incubators offer resources of a financial nature allowing entry to venture capital, either through their own funds or through real estate agencies funds or through co-investments set up with contributions from external investors. In general, the targets of incubators are companies that require funds to ensure continuity in the very early stages of their development (seed capital). The main competitors in the financing activity are business angels, venture capitalists specialized in the provision of seed capital, and investment companies. Although very often the relationship between these actors is one of collaboration.

Incubators frequently help start-ups to draw up a business plan and provide professional services such as accounting, legal and fiscal support, research, management, strategic support, as well as administrative services help to streamline the organizational burden on those setting up the new enterprise.

Some incubators are able to identify outside, but also inside, key players for the success of incubated enterprises. Aspiring entrepreneurs do not always have the right relationships to develop their business idea and find financial resources; the network may be provided by the incubator or may come from its experience or that of its individual managers.

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<sup>4</sup> Social Innovator Monitor, <https://socialinnovationmonitor.com/>



The services described above represent the core business of a business incubator, but some of these services are also provided by Social Incubators.

However, incubators are not always able to offer all the above-mentioned resources in-house, but external professional expertise is needed, e.g. from accountants and auditors rather than labour consultants.

**Social incubators** consider the offer of social impact assessment and training and consulting services on CSR and business ethics to be more relevant than business and mixed businesses.

**Business and mixed incubators** consider the offer of physical spaces and shared services to be more relevant.

**Social enterprise incubator** is an instrument able to support both the start-up of new social entrepreneurship initiatives and the consolidation and development of existing ones by offering consultancy services, training activities and tools for knowledge of the territory.

The social enterprise incubator is a tool for the support and development of the third sector, home to services and activities for the development of a solidarity-based economy and can represent the formula for the development of non-profit enterprises by providing a range of integrated services to support the conception support to the conception, birth and development.

Purpose of the social enterprise incubator (Carrera et al., 2008):

1. to experiment with innovative ways of promoting local development and social integration of people through accompanying the creation of autonomous business activities;
2. to disseminate a business culture oriented towards sustainable development and the emergence of new productive entities;
3. strengthen the territorial system through the enhancement of local identity and vocations, institutions, culture and traditions, local production traditions, local productive forces and human resources, the environment;
4. promote virtuous networks between social and small enterprises, responsible companies, supply chains and production ecosystems capable of generating positive externalities for the territories of reference;
5. raise the skill level of new social entrepreneurs and operators of incubated social enterprises;

6. systematize and organize the collection of data and information on the local third sector for a full knowledge of the territory by the incubatees and the promoters of the incubator (e.g.: local authorities);
7. facilitate access to credit and other forms of financing - including mutual funds;
8. disseminate the concept of social enterprise and the incubator model to various categories of local stakeholders.

#### 2.5.4. Social impact incubators in Italy

##### **SocialFare – Turin**

SocialFare Centro per l'Innovazione Sociale is the first Italian center entirely dedicated to Social Innovation: through research, capacity building and co-design it develops innovative solutions to pressing contemporary social challenges, generating a new economy. Through two annual calls for proposals, it selects and accelerates the best national and international social impact start-ups, investing in companies capable of developing innovative solutions to pressing contemporary social challenges.

##### **Get it! – based in Milan**

Get it! is an initiative promoted by Fondazione Social Venture Giordano Dell'Amore (FSVGDA) and Cariplo Factory S.r.l. that promotes and supports economically sustainable projects and start-ups that are able to generate social, cultural and environmental impact on the Italian territory. It is an incubator and a permanent training laboratory, serving the city users & professionals from the creative field to absorb, share and transform the dialogue among different creative communities. The 12,000 square meters space hosts workshops, exhibitions, shows, and conference spaces, together with the artist's residences.

##### **Impact Hub, Milan and Bari**

Impact Hub Milan is part of Impact Hub, an international network of beautiful physical spaces where entrepreneurs, creatives and professionals can access resources, be inspired by the work of others, have innovative ideas, develop useful relationships and identify market opportunities. Impact Hub Milan, first The HUB, is the first Italian node of this network and the first center in Italy dedicated to innovation and social entrepreneurship and to the people who promote it.

##### **Avanzi – Make a Cube3 – Milan**

It is the first certified incubator and accelerator of companies with high social, environmental and cultural value. It offers customized incubation/ coaching programmes, including internships (from the

idea to the enterprise). It has privileged sectors such as personal services, the circular economy, craftsmanship 2.0, sustainable agriculture, education, art and culture, and finance.

The incubator and accelerator helps SMEs, profit and non for profit organizations to work with social startups to innovate culture, processes, products and services. It has four different programs: Make a Cube3 Warm up, a series of workshops for start uppers; Make a Cube3 121, a tailor-made support to ideas; Make a Cube3 HD, High density incubation program addressed to startup groups; Make a Cube3 Open Innovation, which consists of consulting services to big profit and not-for-profit organizations and public institutions.

### **FabriQ – Milan**

The project, launched by the Municipality of Milan and Giacomo Brodolini Foundation, supports startups with an incubation path of nine months of training, workshops, meetings with entrepreneurs and experts. The objective of the service is to transform startups into actors that can have real effects in the social fabric. The 2 phase-process consists in a first business plan definition and a second access to short-term loans and long-term investors and sponsors, staff recruitment, needs assessment.

### **Social Innovation Teams – Milan, Turin**

Social Innovation Teams (SIT) is an international community of innovators and social entrepreneurs promoted by the Maieutics foundation since 2010. This community implements and supports social innovation projects and social entrepreneurs who have created social enterprises or nonprofit organisations in Italy or abroad. SIT proposes new forms of active participation by creating interdisciplinary project teams capable of enhancing the specific skills of its members.

### **Netural – Matera**

A young and very special incubator, which was born and is held at Casa Netural, a house in Matera that brings together people from all over the world, where they can be inspired, regenerate and put their ideas into practice around the themes of social, cultural and creative innovation. The incubation process is super-fast, lasts only 3 days and is reserved for Casa Netural members: you have to join the community and go to Matera to participate in the incubation process and develop a prototype.

### **Italian Renaissance – Turin**

Acceleration programme for social impact enterprises organized by SocialFare in collaboration with the TOP-IX Consortium. The acceleration programme, tailored to each reality, is implemented in three steps, in which the new entrepreneurs are accompanied in a programme that will lead them to launch and test their business in order to identify its shortcomings, potential and value, refining its offer and raising investments and stakes in various ways.

### 2.5.5. Type of social businesses incubated

There is still not much data on social and for-profit incubated enterprises in Italy. In the latest report by Marta Auricchio, Marco Cantamessa, Alessandra Colombelli, Roberto Cullino, Andrea Orame and Emilio Paoluccidella for the Bank of Italy<sup>5</sup> on business incubators (for-profit and not-profit) in Italy it has been showed that: most incubated enterprises are limited liability companies (88%); the sample of enterprises studied has a rather low average age. The average value of share capital at the time of incorporation was €10,000; only in 14 % of cases did this amount exceed €50,000. The size of the companies, as measured by average employment in 2011, is also rather low: the average value is 4 units, slightly lower than the average (5.6). Average employment increases with the age of the company, indicating a certain process of growth in the size of incubated companies: the average number of employees (observed in 2011), in fact, goes from 4.1 for those born between 2009 and 2011 to 11.5 for those born before 2000.

As regards social incubators, data from the Social Innovator Monitor<sup>6</sup> are available. Total number of incubation requests received in 2016 was: 12,347. Among the 6 incubators that received more than 500 requests, 4 received more than 1000. They are all private incubators (3 mixed and 1 social).

Business incubators represent the lowest average of 71 requests compared to 228 for mixed and 206 for social.

Public incubators received on average 22 fewer requests compared to 223 private and 43 public-owned. The total number of incubated enterprises is 1185. About 75% of the incubators incubated 15 organizations at most. Only 3 incubators incubated more than 50 organizations. One of them incubated 88 organizations. None of the 3 is a business incubator.

### 2.5.6. Geographical coverage

In Italy there are a total of 197 incubators and business accelerators, both public and private. As mentioned above, the number of incubators in Italy is steadily increasing, even if, as shown in the figure below, they are mainly located in the north. Compared to 2017, there has been an increase in the

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<sup>5</sup> M. Auricchio, M. Cantamessa, A. Colombelli, R. Cullino, A. Orame, E. Paolucci, Gli incubatori d'impresa in Italia, Bank of Italy, Questioni di Economia e Finanza, Occasional Papers N. 2016, 2014, [https://www.bancaditalia.it/pubblicazioni/qef/2014-0216/QEF\\_216.pdf](https://www.bancaditalia.it/pubblicazioni/qef/2014-0216/QEF_216.pdf)

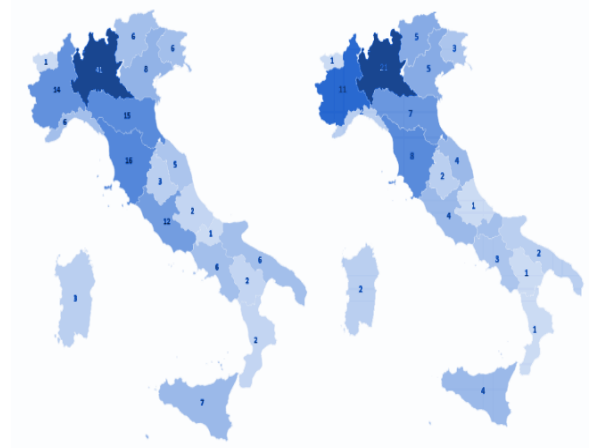
<sup>6</sup> Social Innovator Monitor, <https://socialinnovationmonitor.com/>

number of incubators identified in Italy: from 171 to 197 (+15.2%). Despite this, Italy lags behind France (284), Great Britain (274), Germany (247), and Spain (215).

According to Paolo Landoni of the Politecnico di Torino, coordinator of the research Social Innovation Monitor (Sim): *"Italian incubators are growing and diversifying both in terms of sectors and business models. Particularly interesting is the choice of an increasing number of incubators to focus on companies with a significant social impact. A specialization on this type of companies and incubators could be an effective element of differentiation for our country"*<sup>7</sup>.

Nearly 60% of the incubator population is located in northern Italy, in particular the 38.9 % in the North-West regions. Lombardy is the region that hosts the greatest number of incubators, 25.3 % total, followed by Tuscany 9.9 % and Emilia Romagna 9.3 %. The southern and insular area represents the areas where the numbers of incubators are smaller. In this case the region that hosts the most incubators is Sicily, which represents the 4.3 % of the total.

AREA	%
North-West	38,9%
North-East	21 %
Centre	22,2 %
South and Islands	17,9 %



Source: Social Innovation Monitor

### 2.5.7. Needs of social enterprises not covered by existing incubation models

According to the latest Social Impact Outlook report released by Tiresia – the Research Centre of Politecnico di Milano – impact investing in Italy is currently characterized by a strong and curious asymmetry: more capital than demand. Against an impact capital of 210.5 million euros – which could rise to 400 in three years – there should be only 627 social businesses ready to receive investments. These include social cooperatives, statutory social enterprises, social startups, and benefit companies.

<sup>7</sup> <https://www.ilsole24ore.com/art/vale-391-milioni-business-incubatori-italiani-ACdrUgFB>

In such a context, as far as the category of companies and startups with a social vocation is concerned, a fundamental role to support the demand in emerging and being connected to capital could be played by business incubators dealing with social impact.

## 2.6. Challenges and lessons learned for the incubation of social business

The research from which most of the data was taken, carried out by the Social Innovation Monitor, focused in part on mapping the incubators/ accelerators of innovative enterprises in Italy, identifying those that support socially relevant start-ups. The result shows that the list of “pure” social impact incubators in Italy is rather short (there are no more than 10 of them, most of them are hybrids), and between 1 and 50 percent of enterprises with a significant social impact have been incubated as part of the total. Therefore, one could say that in Italy in general there is a lack of a specific programme for the development and support of social business, especially in the start-up phase.

From our experience there is sometimes a lack of awareness of what social innovation is and how to achieve it through new participatory and bottom-up models and methodologies, co-design processes and tools. Therefore, incubation paths tailored to get social impact start-ups off the ground should include capacity building on methodological approaches and tools before even starting to design the business model. Of course, a developing social enterprise needs funding and investors; and in Italy this is another shortcoming, although some regions have started to develop strong ecosystems for impact investing.

In Italy it is really hard to raise capital and is even more difficult to scale up at an international level, both for lack of consolidated network and because Italian startups are usually too much focused on Italy, and this focus leads to lack of ambition to expand to the European and international markets. Another reason why funding needs are not covered is too much bureaucracy preventing investors to invest in Italy.

Social entrepreneurship is not only an essential component of resilience, but a decisive actor for the restart and transformation of the existing status. From these considerations arises the responsibility of the third sector and of the social enterprise to promote an action that results in proposals to be submitted to Europe. In fact, it is the responsibility of the social enterprise to relaunch the leadership of society in solving today's challenges: challenges that require public missions and new social investments. Health, climate transition, digitalization and the fight against inequalities (i.e. the priorities on which Next Generation EU is based) will be a test for the social economy.

### Chapter 3. Conclusions and Recommendations

Incubators play a key role in providing support services and accompaniment to start-ups and contribute to reducing the mortality rate of start-ups. As summarized in Bank of Italy study analyzing the results of the first research on Italian incubators carried out in 2012 by the Bank of Italy's Turin office, in collaboration with the PNI Cube Association and the Politecnico di Torino, *"business incubators represent one of the solutions proposed in the economic literature and concretely implemented in many countries to promote new highly innovative enterprises"*.

Among the instruments put in place by public administration and private actors – particularly at local level – the social enterprise incubator is certainly innovative. Not only as an effective tool to support social enterprises, but also in its orientation towards targets that are not yet fully defined, such as social enterprises, which are recognized as productive realities able of influencing the *modus operandi* of the production and commercial system and the *modus vivendi* of the reference territory.

Local development is strongly linked to the creation of new employment, able of affecting the processes of redevelopment and revitalization of territories and designing new institutional architectures. Policies in support of social entrepreneurship can encourage “self-entrepreneurship” in new sectors, to be created from scratch or, better, to be recognized and enhanced. The process of evolution that affects local development policies is increasingly characterized by actions, strategies and practices that recognize themselves in models of inclusive networks and partnerships implemented by all the parties involved. Public and private actors (for-profit and nonprofit), able of projecting relations towards a common design and project, particularly at local level, consolidate multi-centered systems and inter-institutional partnerships. The territorial community is made up of new protagonists, builders of practices and initiatives, capable of offering opportunities and sharing needs. The experiences of social enterprise incubators offer tools oriented towards social empowerment and a public-private model that activates good practices and network actions. There is no doubt about the incisive and now institutionally recognized role that the local third sector plays in social transformation. Local development is strongly linked to the creation of new employment opportunities (and of inclusion in the labour market), of “other” entrepreneurial formulas that contribute to the development of the territory. In particular, this is relevant for economically depressed areas, characterized by social and economic disadvantage and low urban quality of life.

The model offered by social enterprise incubators could therefore be a winning formula. The local social incubator accompanies future social enterprises as they become enterprises and identify themselves as structurally oriented to rehabilitate, manage and democratically distribute resources, in an efficient and innovative way for the common good. Once stabilized in the local economy, the social enterprises themselves have the opportunity to make a significant contribution to the creation of external networks, encouraging a multiplier effect and at the same time increasing the turnover of incubated enterprises.

The incubator is therefore a candidate as an employment incentive tool, as one of the institutional solutions in the provision of public services, and as a promoter of participatory and inclusive processes for public and private actors. The experiences of social enterprise incubators can be a real opportunity for the construction of real, circumscribed development ecosystems, poles of attraction for all local players who aim to raise the quality of life in their area.

Communities are growing that believe much more in tribal logic, which is collaborative, relational, of innovation open to business incubation and acceleration. These evidences, observable in a new generation of projects with a social purpose that trace a discontinuity with respect to the mainstream, propose a design built on a different idea of value and social impact. In other words, the biodiversity of the social enterprise postulates the biodiversity of incubation paths.

First of all, the accompaniment in the start-up phase for a social enterprise starts from a fundamental premise: the ultimate goal of the organization and its team is to generate a positive impact for society, helping to trigger and accompany those changes capable of solving a need or a more or less collective problem that no one has yet been able to answer.



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