

Rural Social Enterprise in Finland

Policy

Social entrepreneurship is at its very early stage in Finland although the concept of community-based entrepreneurship has been prevailing tradition in Finnish rural areas for centuries. Rural co-operatives have strong roots organizing rural services that are hard to produce. These are for example maintaining roads, financing and purchasing farming machinery and so on. In many occasions, it is pointed out that the basic idea of co-operative is similar to current description of social entrepreneurship.

Discussion of social entrepreneurship started in 2010 when Ministry of Employment and Economy ordered two reports to explore the possibilities of social entrepreneurship in Finland. Report published in 2010 aimed to gather insights to promote social entrepreneurship in Finland by benchmarking the actions implemented Great Britain and the other report, published year later aimed to develop a model for social enterprises suitable for Finnish context. The main motive to promote social entrepreneurship has been to renew the public service sector. By renewing services it is expected to gain more efficiency with scarce resources.

Reports were widely discussed but the problem was that the concept of social entrepreneurship was mixed up with the concept of entrepreneurship promoting disabled. As practical implications the reports suggested that there is no need to invent new mechanisms for social entrepreneurship in Finland as we have solid and functioning legislation for co-operatives. This is also the reason social enterprises are not mentioned in Finnish legislation. Therefore there is no official company types existing for social enterprises and they do not receive any special support for their operations. They are not entitled to any subsidies or tax reliefs either.

The latter report also suggested that it would be beneficial to establish a brand mark to promote social entrepreneurship. The mark was established in 2011 and it is administrated by Association for Finnish Work who also sets up the criteria for social enterprises in Finland. Criteria include defined social objectives and limited distribution of profits as well as openness and transparency of operations.

Regardless of all attempts to create a context for social entrepreneurship, it seemed that the time was not right for this kind of discussion and as time went by the discussion faded away. Although the discussion led by Ministry of Employment and Economy faded out there are signs that the interest of promoting social entrepreneurship is rising again but this time from the rural policy point of view. There has been several projects ongoing promoting social entrepreneurship as a way to improve services in rural areas and the rural policy network for knowledge and employment has made some efforts to promote the idea of social entrepreneurship in their networks. During the deepening crisis with elderly care there seems to be rising interest towards social enterprises operating principals and possibilities of including social criteria into public biddings. It might be that time slot for promoting social enterprises as part of Finnish society is finally taking off.

There are different estimations of the number of functioning social enterprises in Finland. Estimations varies from few hundred to several thousand depending of the definition, but only 207 enterprises are registered as social enterprises and are entitled to use the social enterprise mark. The size of social enterprises vary: there are on the other hand large corporate companies who usually are working on health care and small community-based associations on the other.

Finance

There has not been any financing sources in Finland that are directed to social enterprises probably

because the prevailing assumption is that social enterprises are treated similar to ordinary enterprises. For ordinary enterprises there are available start up -loans and guidance. In few months there has been news about Finnish bank OmaSäästöpankki, who will start giving loans to social and micro enterprises in co-operation with European Investment Fund (EIF). Unfortunately this is so recent funding mechanism for rural communities that there has not been experiences regarding this funding. Other financing instrument is Eettisen pankkitoiminnan kehitysosuuskunta (development co-operative of ethical banking) Ehta, which is a co-operative for the development of ethical banking, offering communal crowdfunding. The threshold for applying financing for rural local communities from these institutions is likely to be quite high.

Otherwise active rural communities may apply project funding for example from Leader-groups who finance small and local innovative projects that can be used to pilot new openings. Unfortunately the funding cannot be used to create profit for community. It is also possible to combine funding sources available for associations and companies but this requires economic knowledge and financial planning that every local community is not capable of performing.

Support available for social enterprises

Support available for social enterprises are scarce. Financial support is practically non-existing as such for now at least, but there are some other organisations that are willing to promote the development of social enterprises in Finland. One of them is earlier mentioned Association for Finnish Work and others as Arvoliitto and FinSERN are based on research. In addition, there is support available to create business plans through business orientated development organization. However, they do not focus especially on social entrepreneurship, rather in business development in general.