



The
Federal Government

German National Strategy for Social Innovations and Social Enterprises



Imprint

Publisher

Federal Ministry for Economic Affairs and Climate Action (BMWK)

Federal Ministry of Education and Research (BMBF)

Public Relations

11019 Berlin

www.bmwk.de

www.bmbf.de

Status

September 2023

This publication is available for download only.

Design

PRpetuum GmbH, 80801 Munich

Image credit

freepik/p. 5

Central ordering service for publications of the Federal Government

Email: publikationen@bundesregierung.de

Phone: (+49) 30 182722721

Fax: (+49) 30 18102722721

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Preamble

In view of deep-reaching social, ecological, technological and geopolitical change, we need people to help shape our future, to provide new and diverse paths towards the necessary transitions. Social innovations and social enterprises make an indispensable contribution towards this. They enable us to cope with increasingly complex challenges, to safeguard prosperity effectively and sustainably in line with the UN's 2030 Sustainable Development Agenda, and to build a just and resilient society in which nature and the environment, commerce and the needs of the inhabitants coincide.

The Federal Government therefore devotes special attention to social enterprises and social innovations in order to make the state, our economy and society more sustainable, effective and efficient. A reduction in disadvantages and unjustified unequal treatment, an improved policy framework and targeted support can enable us to generate socio-ecological added value whilst reducing subsequent societal costs.

For example, social innovations and social enterprises work with fair and sustainable supply chains, they find new ways to manufacture products in a climate-neutral way, they create jobs and training places for marginalised groups, and they strengthen these groups' participation in society. They address societal needs, and can also generate economic benefits for the public sector. At the same time,

social enterprises are an important economic force, creating jobs and growth. By supporting these players and solutions, we make the actions of the state relevant and effective.

Germany can look back on a long tradition of innovation and entrepreneurship. Since the 19th century, Germany has also been a centre of social innovation and social enterprise, where the development of our present-day health insurance system, the sector of non-governmental welfare organisations (called "Freie Wohlfahrtspflege" in German) and of the cooperatives took place. These movements, which emerged from civil society, laid the foundations for today's social market economy, which focuses on the common good, social cohesion and free competition as a driving force for successful commercial activity.¹ Social innovations and social enterprises also create a wide range of possibilities for equal opportunities and participation today. At the same time, they foster female entrepreneurship – because whilst fewer women than men set up their own business, they tend to want their business concepts to add sustainable – e.g. social – value to society. More and more new entrepreneurs are looking to make such an impact and to introduce social innovations, and as a result they are making an impressive contribution towards the development of our socio-ecological market economy and our economic competitiveness.

¹ The constitutions of many of the Länder have anchored the common good as a purpose of economic activity, e.g. the **constitutions of Bavaria** (Article 151), **North Rhine-Westphalia** (Article 24) and **Rhineland-Palatinate** (Article 52).

This national strategy has been drawn up against the background of other initiatives: in the international and European context, these are in particular the Social Economy Action Plan of the European Commission², the Luxembourg Declaration³, the resolutions of the International Labour Organization (ILO)⁴ and the Organisation for Economic Co-operation and Development (OECD)⁵ as well as the resolution of the United Nations⁶. We are also seeing how several of Germany's Länder are focusing their policies more on social innovations and social enterprises.⁷

In its efforts to foster social enterprises and social innovations, the Federal Government regards itself as a learning partner. We want to engage with all the socially innovative stakeholders in academia, commerce, the welfare sector and civil society to create an appropriate policy environment and offer incentives to facilitate, accelerate and disseminate social innovations and social entrepreneurship.

If such companies are to be jointly innovative and successful, they need tailored funding programmes and measures that target and network the people shaping our future. That is the best way to foster cooperation.

Working in the interest of a good life for the people and of more progress in our country.

- 2 European Commission (2021): Building an economy that works for people: an action plan for the social economy. Available online at <https://ec.europa.eu/social/main.jsp?catId=1537&langId=en>
- 3 Luxembourg Declaration (2015): A roadmap towards a more comprehensive ecosystem for social economy enterprises. Available online at <https://www.eesc.europa.eu/sites/default/files/resources/docs/erklarung-von-luxemburg-de.pdf>
- 4 ILO (2022): Resolution concerning decent work and the social and solidarity economy. Available online at https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_850562.pdf
- 5 OECD (2022): OECD Recommendation on the Social and Solidarity Economy and Social Innovation. Available online at <https://www.oecd.org/cfe/leed/social-economy/social-economy-recommendation/>
- 6 UN (2023): Promoting the Social and Solidarity Economy for Sustainable Development. Available online at https://unsse.org/wp-content/uploads/2023/05/A_RES_77_281-EN.pdf
- 7 Cf. e.g. the strategy recently published by Hamburg (2023): Social Entrepreneurship Strategy. Available online at <https://www.hamburg.de/bwi/social-entrepreneurship-strategie/> or the strategy paper by Schleswig-Holstein (2022): Social Entrepreneurship and Social Innovations. Available online at <https://www.eesc.europa.eu/sites/default/files/resources/docs/eesc-2016-00324-00-00-tcd-tra-en.pdf>

Definitions

Social innovations

primarily embrace **new social approaches and organisational models** which contribute to viable and sustainable solutions for the challenges facing our society. Social innovations find expression in numerous new economic, social and cultural developments, irrespective of whether they are organised on a commercial or a non-profit basis. They take a different – and potentially a better – approach to solving some social issues than previous approaches. They offer value in themselves and can emerge on a technology-neutral basis or be fostered by advances in technology.⁸

Under this strategy, this includes for example new social care concepts, new ways to use technical devices, new networks and new mobility concepts. Social innovators (socially innovative stakeholders) come for example from higher education institutions, businesses and civil society. In particular, the associations and institutions of the welfare sector often drive social innovations.

Social enterprises⁹

Social enterprises within the meaning of the National Strategy and in harmony with the definition of the European Commission are **enterprises**,

- **for which the social or ecological objective of the common good is the reason for the commercial activity**, often in the form of a high level of social innovation,
- where profits are mainly reinvested with a view to achieving this social objective,
- and where the method of organisation or ownership system reflects their mission, using democratic or participatory principles or focusing on social justice.¹⁰

In terms of economic policy, the Strategy's focus is on promoting social enterprises which fall within the EU SME definition, on the founding, and on the growth of social enterprises.¹¹ These can be companies with any type of organisational and legal structure.

⁸ Federal Government ministerial concept on social innovations (2021). Available online at [Ressortkonzept zu Sozialen Innovationen \(bundesregierung.de\)](https://ressortkonzept.zu-sozialen-innovationen.bundesregierung.de)

⁹ In the original German version of this strategy, the term "Gemeinwohlorientierte Unternehmen" (literally "enterprises for the common good") is used rather than "Social enterprises". The German term "Sozialunternehmen" may – depending on the context – refer to social enterprises providing social services in a narrower sense (e.g. in the fields of health, youth, care for the elderly, people with special needs, etc.). Other activities for the common good, e.g. regarding the environment, animal welfare or democracy, might not immediately come to mind. The closely related term "Sozialwirtschaft" is well established in the German model of the welfare state. Many actors in the "Sozialwirtschaft" constitute also social enterprises in the sense of the definition developed by the EU Commission.

¹⁰ Definition of social enterprises is based on the Social Business Initiative of the European Commission. European Commission (2011): Social Business Initiative. Available online at <https://eur-lex.europa.eu/legal-content/DE/TXT/PDF/?uri=CELEX:52011DC0682&from=HU>

¹¹ Small and medium-sized enterprises (SMEs) can face disadvantages compared with large companies, and are fundamentally deemed to merit special support. Social enterprises tend to be small or medium-sized. Also, there is a lack of data about their impact-oriented and socially oriented business models and the concomitant contribution to the UN Sustainable Development Goals.

Common Strategy

Why a strategy both for social innovations and for social enterprises?

Social innovations are an independent phenomenon and also emerge separately from social enterprises.

Nevertheless, in very many cases, these are the companies which generate social innovations, since they have a transformative impact within existing structures and can thus provide a breeding ground for social innovations. At the same time, many social enterprises tend to be set up as the outcome of a social innovation, or offer a framework for rolling it out on a permanent basis.

For this reason, there is a close relationship between the promotion of social innovations and the promotion of social enterprises. Also, in the international context people tend to use, think and discuss “social innovation” and “social entrepreneurship” as being virtually synonymous.

ADVANCE CONSULTATION PROCESS

The challenges and solutions for the fields of action and measures have been defined in the course of a wide-ranging consultation process. Seven workshops were held at which stakeholders from all sectors were asked about the needs and potential of social enterprises and social innovations. Some 210 comments were received via an online consultation process and were systematically evaluated. The comments (in German) can be found [here](#).



1. Main principles

The Federal Government will address societal challenges and shape progress with the support of social innovations and social enterprises.

This work will be based on seven main principles guiding the actions of the relevant federal ministries.



Act sustainably

Sustainability as defined in the 17 UN Sustainable Development Goals (SDGs) forms the guiding principle for the Federal Government's policies. The German Sustainability Strategy provides the framework for this. Social enterprises and social innovations can make a crucial contribution to attaining the SDGs and equivalent living conditions across Germany, and to meeting this generation's needs without jeopardising the possibilities of future generations to meet their own needs and choose the way they wish to live their lives.

OUR PRINCIPLE

By promoting social enterprises and social innovations, the Federal Government makes an important contribution towards attaining the SDGs and equivalent living conditions across Germany.

Shape the transition

The climate and biodiversity crisis, geopolitical disputes, migratory movements, demographic change and digitalisation are all triggering transitional processes which confront the whole of society with the challenge not merely of accepting change, but of proactively shaping it. Social enterprises and social innovations are a catalyst for this and stimulate social change. They can shape the transition to sustainable development by means of new social and socially innovative products, services and business models. By levelling out social inequalities, promoting participation and more equal standards of living and a human-centred use of digital technologies, they can also increase the degree of public acceptance of these transitional processes.

OUR PRINCIPLE

The Federal Government engages with and strengthens the role of social innovations and social entrepreneurship in the stimulation and shaping of transitional processes.

Recognise the impact

Social innovations and social enterprises aim to have an impact on society. Measuring this impact is therefore an important way to show that they meet a societal need (or meet it better). Defining impact targets and indicators, not least with a view to differing regional dimensions, also helps to generate blueprints for the development and practical implementation of social innovations.

OUR PRINCIPLE

The Federal Government wants to promote particularly effective solutions. Measuring their impact is of central importance for social enterprises and social innovations, and will therefore play a greater role in suitable funding measures.

Make use of diversity

Social innovations and social entrepreneurship are driven by people of all sexes, from differing backgrounds, with different perspectives and experience. They come from civil society, public administration, the business community, research and the welfare sector. The evidence shows that the input from women is particularly great.¹² In particular, marginalised groups like people with a migrant experience and people with disabilities can also benefit from social innovations and social enterprises. Diversity and heterogeneity at individual, community and regional level are a major source for the development of diverse solutions for the needs of society.

OUR PRINCIPLE

The Federal Government sees the diversity of the shapers of our future and their various structures as an opportunity, and takes these into account in the promotion of social innovations and social enterprises.

12 German Startups Association (2022): Female Founders Monitor. Available online at https://startupverband.de/fileadmin/startupverband/mediaarchiv/research/ffm/Female_Founders_Monitor_2022_English.pdf

Boost entrepreneurial spirit and individual responsibility

In many cases, social innovations and social enterprises emerge from an immediate desire to improve a social, ecological or economic situation for certain groups or in certain regions. They are fostered by individual responsibility and independence of state action, as well as a wealth of ideas, entrepreneurial spirit and the courage to go into self-employment.

OUR PRINCIPLE

In the development of social innovations and social enterprises, the Federal Government supports commercial activities and individuals who take responsibility.

Support participation and collaboration

Participation and the active involvement of the potential target group are an essential characteristic of social innovations and social enterprises. Collaboration and cooperation in companies, with other sectors and stakeholders, is an important precondition for development and implementation.

OUR PRINCIPLE

The Federal Government fosters a participatory and cooperation-based development of innovations, and strengthens the collaborative process of the social economy and the infrastructure needed for this.

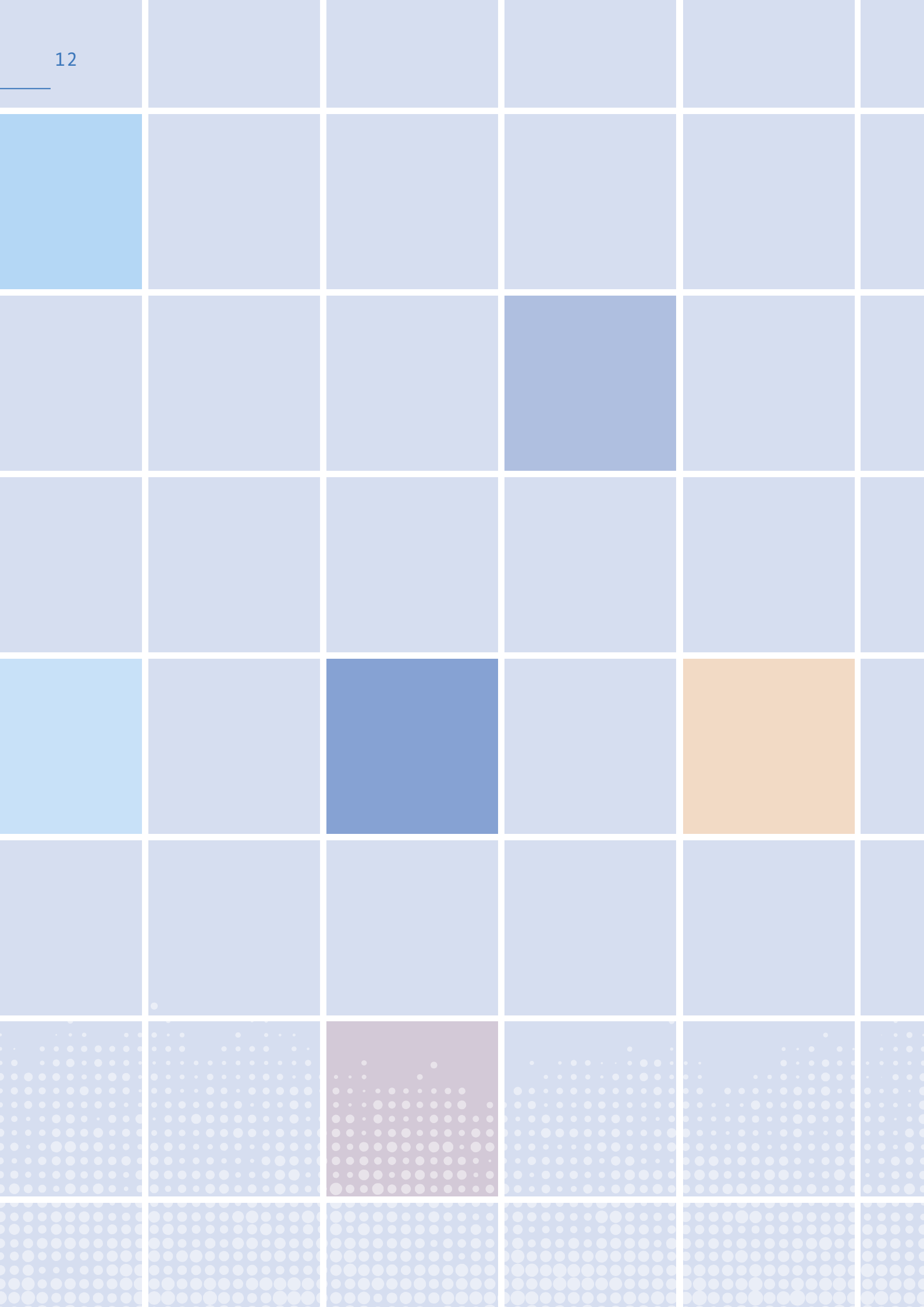
Think innovation holistically

Social and technological innovations must be viewed together, since developments often tend to depend on or influence one another. Advances in technology can lead to social innovations. Both aspects contribute to progress. It is therefore necessary to view all types of innovation for the development of our society, to think them together, and to avoid perceiving them as rivals.¹³

OUR PRINCIPLE

The Federal Government has a systematic understanding of innovations and views social innovations as equivalent.

¹³ Note on the terminology used in this Strategy: where, in the rest of this document, social innovations are contrasted with technological innovations, this is done in order to keep the wording simple, but always in the awareness that these are at heart social / technological innovations, and that the borderlines between different types of innovation are fuzzy.



2. Fields of action and measures

The Federal Government has identified challenges in various areas, and will address them with specific measures in the following eleven fields of action.

All measures at federal level mentioned in the strategy or resulting from it are the responsibility of the respective ministries and will be financed on the basis of the applicable budget and financial planning principles.



Optimise the policy environment and remove structural impediments



THE CURRENT SITUATION

In some respects, social enterprises and social innovations lack the right policy environment for them to be able to develop their potential for the socio-ecological transition.¹⁴ Given the current structures, systematic impediments can restrict their development.

For example, many social enterprises in Germany find it very challenging to reconcile their non-profit orientation with a commercial business model, since they tend not to fit in well with the current legal requirements and assistance programmes. Similarly, social innovations and their stakeholders are not always properly covered by programmes to foster research and innovation even though this would make sense. Also, stiff bureaucratic requirements can impede innovative activities.

¹⁴ Hightech Forum (2019): Social innovations – A discussion paper from the High-Tech Forum. Available online at [Soziale Innovationen \(hightech-forum.de\)](https://www.hightech-forum.de/soziale-innovationen). Also here: (Social Enterprise Netherlands (2021): Social Enterprises as Influencers of the Broader Business Community. Available online at [Social_Enterprises_as_influencers.pdf \(social-enterprise.nl\)](https://www.social-enterprise.nl/social-enterprises-as-influencers.pdf)



SOLUTION

The Federal Government recognises the power of social innovations and social enterprises to add value, irrespective of their legal form. Social enterprises and social innovations are horizontal issues. Their potential must therefore be viewed from a range of perspectives, and feed into the Federal Government's main strategies and programmes.

Whether it is the Startup Strategy, the Circular Economy Strategy, the Future Strategy for Research and Innovation, the German Digital Strategy, the Civic engagement strategy, or the Research Participation Strategy: social innovations and social enterprises must be given the attention they deserve so that their potential can be leveraged.





MEASURES

- Social non-profit SMEs¹⁵ which earn most of their revenues on the market are excluded from a number of **funding programmes for SMEs**. We are therefore examining whether there are funding programmes for which these companies are not allowed to apply without their being sufficient reason for this.
- The **public funding programmes for innovation and research** of the relevant ministries are being screened in terms of their openness to social innovations and social enterprises. Wherever appropriate, barriers to participation in public funding are reduced, e.g. via the setting of corresponding incentives and consideration of stakeholder-specific features.
- The financial market also plays a decisive role in the development of social innovations and social enterprises. The Federal Government is providing support, e.g. via the **Sustainable Finance Advisory Council and the Sustainable Finance and Climate Network**, for the necessary transformation of financial movements in order to achieve the SDGs. The framework for this is provided by the Federal Government's **Sustainable Finance Strategy**.¹⁶ This strategy aims to strengthen a coherent policy framework and sustainability in the financial sector.
- Many social enterprises are non-profit, but some of them find that their capacity for innovation is partially constrained by the **legislation on non-profit entities**. In order to **improve the efficiency of the operations** of non-profit stakeholders, we will remove inappropriate barriers and, in particular, bureaucratic barriers.
- The Federal Government is examining **improvements in legislation on companies and cooperatives** in order to foster social entrepreneurship.
- Cooperatives are of great importance for the orientation of the economy to the common good.¹⁷ A supportive legal framework makes it easier for them to make their contribution to the transition. We want to **bring the law on cooperatives into line with the advances in digitalisation**, and improve the conditions for crowdfunding-based digital equity finance.

15 SMEs stands for small and medium-sized enterprises in line with the EU's SME definition. European Commission (2003): Definition of micro, small and medium-sized enterprises. Available online at <http://eur-lex.europa.eu/legal-content/DE/TXT/PDF/?uri=CELEX:32003H0361&from=EN>

16 Cf. the German Sustainable Finance Strategy (2021) https://www.bundesfinanzministerium.de/Content/DE/Downloads/Broschueren_Bestellservice/deutsche-sustainable-finance-strategie.pdf?__blob=publicationFile&v=

17 ILO (2002): Promotion of Cooperatives Recommendation. Available online at https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---normes/documents/normativeinstrument/wcms_r193_de.htm

- **Company take-overs by staff** and joint initiatives by employees and trade unions to convert existing **companies into cooperatives** can be attractive instruments to preserve jobs and hand on companies to the next generation – and are of particular interest for social enterprises. We want to provide targeted incentives for this and will reduce potential barriers.
- Many social enterprises are particularly involved in the field of transformative socio-ecological building and community housing. The Federal Government is introducing a **new category of non-profit housing** with tax breaks and investment allowances. Working from the principles of economic efficiency, it is to supplement the structure of the established housing sector without placing it at a disadvantage.
- Social innovations and **social** enterprises need scope to trial their impact and their business models. The Federal Government will create a **Regulatory Sandboxes Act** which opens up new scope to research and trial innovations and sets overarching standards for regulatory sandboxes. Here, it will also permit access to regulatory sandboxes for social innovations and social enterprises.



One



Strengthen a socially innovative and socially oriented startup culture and the support structures



THE CURRENT SITUATION

There is a trend towards the founding of social enterprises. According to the German Startup Monitor of the German Startups Association, more than 40% of new entrepreneurs define themselves as belonging to the social entrepreneurship sector.¹⁸ The proportion of women setting up social enterprises is significantly higher than the proportion of women setting up new firms in general¹⁹, but existing support structures for startups fail to take sufficient account of the interests and personal situations of women. The process of founding social enterprises often tends to be bureaucratic and lengthy. This is because the existing startup structures and contact points (e.g. startup centres at higher education institutions, chambers, associations) are failing in terms of the institutional anchoring, expertise and visibility of the issue. Furthermore, rural areas and structurally weak regions have hardly any contact points, and even the innovation centres in conurbations, which are mostly private sector-driven, are unable to cope with the rising demand.²⁰

And as is the case with all startup entrepreneurs, the question of how to finance the startup is the main issue, and is particularly challenging for social enterprises since they will be offering lower expected revenues when seeking sponsors for the early phase.

¹⁸ German Startups Association (2022), p. 31: German Startup Monitor 2022 Available online at: [DSM_2022.pdf \(startupverband.de\)](#)

¹⁹ The proportion of social enterprises being founded by women is – at up to 50% according to some studies – much higher than the proportion of all innovative startups in Germany (18%). Cf. Social Entrepreneurship Network Germany (2022): German Social Entrepreneurship Monitor 2022. Available online at [4_DSEM_web.pdf \(send-ev.de\)](#). Cf. also: German Startups Association (2022): Female Founders Monitor 2022. Available online at [Female_Founders_Monitor_2022_English.pdf \(startupverband.de\)](#)

²⁰ Final report on the challenges facing the founding and scaling up of social enterprises for the Federal Ministry for Economic Affairs and Climate Action – Evers&Jung (2015): Challenges facing the founding and scaling up of social enterprises. Available online at [evers & jung Dokumentation \(bmwk.de\)](#)



SOLUTION

The Federal Government supports the opening up of existing startup funding and the related development of expertise at the contact points. Also, needs-oriented programmes which further accelerate the founding of independent socially innovative and social enterprises will be rolled out.



FIELD OF ACTION NO. 2



MEASURES

- **Startup and management consultancy services for social enterprises** will be made more professional and will be expanded. To improve the quality of the consultancy services offered, the Federal Government plans to develop and introduce certified training courses to put consultants on a more professional level.
- The **“REACT with impact”** funding programme is designed to increase the number of specific **contact points for social startups** so that social enterprises can receive the kind of guidance and support they need during the startup process in order to improve their business models, entrepreneurial skills and their investment readiness. “REACT with impact” also promotes **networking, clustering and interdisciplinary cooperation** between social enterprises and existing support structures.
- The **Society of Innovations** competition helps **universities** to develop ideas for social innovations that will be used to set up companies at the end of the funding period.
- The Federal Government’s aim is to **set up and expand innovation and startup centres** for the social economy in as many regions as possible. To this end, existing innovation and competence centres will be more closely linked with social enterprises. The **EXIST Startup Factories lighthouse competition** will take into account the criteria and needs of social startups, while the Federal Government’s **Digital Hub Initiative** and its Cultural and Creative Industries Initiative with its **Competence Centre for the Cultural and Creative Industries** will be paying particular attention to the needs of the social economy and the creation of synergies.

- In the **EXIST – Startups from Science programme**, we will further intensify the measures that have already been introduced to increase funding for social startup projects. In the new funding guidelines, the transition towards more **sustainability will be given more emphasis** and will be included **as an explicit selection criterion**. The aim of **EXIST Women** is to interest women from higher education and research institutions in entrepreneurship and encourage them to launch startups. This will also promote the founding of social enterprises, as these are very frequently founded by women.²¹
- With the “**Female Founders Promote Green Economy**” project launched by the National Agency for Women Startup Activities and Services (bga), the Federal Government is funding activities designed specifically to help female entrepreneurs better understand the impact of digitalisation, sustainability and gender aspects on startup projects run by women and to support sustainable startups by women, e.g. by developing and testing new mentoring approaches.



21 German Startups Association (2022): Female Founders Monitor. Available online at https://startupverband.de/fileadmin/startupverband/mediaarchiv/research/ffm/Female_Founders_Monitor_2022_English.pdf



Promote networking, collaboration and transfer



THE CURRENT SITUATION

Social enterprises and social innovators need space to network with each other and with various stakeholder groups to increase their impact potential. Social enterprises are able to expand their impact in particular through collaboration, networking and the development of joint value chains (multi-actor initiatives). However, in both rural and urban regions, established and new stakeholders often lack common areas where they can meet, find incentives for collaborative work or just develop a common language, with the result that the spread of innovations and solutions is often hindered.

Social innovations and social enterprises need broad and open processes and stakeholder alliances to promote the desired replication and spread of innovations – e.g. from municipality to municipality or region to region, but also across national borders.



SOLUTION

As a result of their focus on making a positive societal impact, close cooperation between different sectors and disciplines, and between administration, science and politics, is crucial for the success of social enterprises and social innovations.²² We promote the innovative power and involvement of civil society and create more effective interfaces with the public sector and sectors of the traditional economy so that the opportunities for mutual learning and the existing potential for cooperation and transfer can be better exploited.²³



22 Mair J., Gegenhuber T., Lührs R., and Thäter, L. (2022.) UpdateDeutschland: Open Innovation weiterdenken und lernen. Learning Report. Available online at https://opus4.kobv.de/opus4-hsog/frontdoor/deliver/index/docId/4204/file/HERTIE_Update-Deutschland.pdf

23 Ashoka / McKinsey (2019): From small to systemic – the multi-billion-euro potential in social innovations. Available online at: <https://www.ashoka.org/de-de/story/studie-von-ashoka-und-mckinsey-zeigt-milliardenpotenzial-von-sozialen-innovationen>



MEASURES

- The aim and purpose of the **German Agency for Transfer and Innovation (DATI)** is to support application-oriented research and transfer designed to create and strengthen both regional and supra-regional innovation ecosystems, primarily at universities of applied sciences (HAW) and at small and medium-sized universities that collaborate for example with startups, SMEs and social and public organisations. DATI's underlying understanding of transfer and innovation explicitly embraces social innovations, which are also addressed in the **DATIpilot – Funding & Learning for Innovation and Transfer** funding guideline: an experimental space in the DATI environment, which preceded the founding of DATI. Social innovations are to be funded at least in proportion to their share of the total number of project outlines submitted and in principle eligible for funding.
- As a central project, the Federal Government is building a **platform for social innovations**. The platform is to act as the first point of contact for those who develop, research and implement social innovations. It will make funding and support opportunities transparent and create new networking opportunities and skills development projects.
- The involvement of many different stakeholders is particularly important for social innovations that are based on complex technologies such as artificial intelligence (AI). The development and use of AI for the common good in terms of social and other aspects of sustainability is only possible when a **collaborative and participatory approach** is pursued. The interdepartmental initiative “**Civic Coding – Innovation Network AI for the Common Good**” intends to place greater focus on this collaborative and common-good oriented development and design approach. This will be achieved, among other things, by opening up the community area of the Civic Innovation Platform (CIP) – one of the three anchor projects and core component of Civic Coding – for joint use by the three ministries involved. This will connect the different communities and create synergies.
- For closer **collaboration and cooperation with civil society initiatives**, the Federal Government is increasingly advocating open social innovation processes. They represent a broad-based participation process (Open) designed to address social challenges (Social) with new solutions (Innovation). Specifically, this has resulted in an **Open Social Innovation (OSI) initiative**, which was launched in 2023 to develop solutions to the problem of a shortage of skilled workers for environmental jobs.

- Many **social innovations** fill gaps in public services. Proven solutions of this kind could be made available to the **general public via state structures** in order to increase the effectiveness of services provided by local government. The Federal Government will incorporate civil society initiatives in the ecosystem for social innovation on a partnership basis.
- For a successful **transfer of research into practice**, the **Innovative University Initiative of the Federal and state governments** also takes social innovation ideas and implements them in regional cooperation projects. In addition, the current funding of the “FH-Sozial”, “FH-Impuls” and “FH-Kooperativ” partnerships, for example, under the auspices of the Research at Universities of Applied Sciences programme of the Federal and state governments, continues to make an important contribution to the transfer of social innovations and to the interaction of technical development and social innovation.
- Cooperation between the ministries is also important for the **cross-cutting issues of social innovations and social enterprises**. In addition to that, we are setting up a **working group** for social innovations and social enterprises composed of representatives from the Federal and state governments to intensify the mutual exchange of views.



three



Use public procurement as a lever



THE CURRENT SITUATION

The public sector is a major purchaser of goods and services, with an annual order volume in the hundreds of billions of euros. This means that public procurement can also be a decisive policy instrument for the development of social innovation and social enterprises and a key factor for achieving sustainability goals.²⁴ And yet only 12.4 per cent of all public tenders take sustainability criteria into account. According to one of criticisms frequently voiced in the consultation conducted ahead of the strategy,²⁵ this situation is aggravated by what tend to be rigid award practices and relatively strict requirements for the suitability of bidders that give priority to established players. For example, public contracts are often awarded to companies that have already worked for the state and can thus provide the appropriate references.

Those, for example, who cannot yet produce a project portfolio and at least three to five years of operational turnover are in most cases excluded. Moreover, according to the consultation, new applicants are often rated lower because of a perceived greater risk. This can result in access to public contracts being made more difficult for socially innovative stakeholders.

SOLUTION

The state can be a role model and can pave the way for new stakeholders to enter the market. To this end, the existing requirements for sustainable procurement practices can be better applied and expanded.

A major lever in this respect is the development of skills in contracting authorities and the organisational units responsible at the federal, state and local levels. This will help social enterprises generate revenues and become financially self-sufficient, and will also help Germany to achieve its sustainability goals.

²⁴ European Commission (2019): Socially responsible public procurement.

Available online at https://commission.europa.eu/funding-tenders/tools-public-buyers/social-procurement_en

²⁵ <https://www.bmwk.de/stellungnahmen-gemeinwohlorientierte-unternehmen>

MEASURES

- The Federal Government will set up public procurement and the award of public contracts on an economical, social, ecological and innovative basis. To this end, the focus is to be placed more on **socially innovative and ecological criteria** within the scope of the **public procurement transformation package**, without losing sight of the wish to simplify and accelerate public procurement procedures and without increasing access barriers for SMEs.
- The new **Competence Center for Innovative Procurement (KOINNO)**, offers the possibility of conducting market research in a simplified manner; so-called **challenges** are used to carry out a targeted search for innovative solutions. In the process, social enterprises can also be seen and be given greater consideration. In this way, the KOINNO Competence Center for Innovative Procurement also serves as a “digital shop window”.
- **Skills are being developed in the public procurement offices** that will enable them to exploit the current possibilities of taking sustainability into account more selectively when awarding of public contracts in individual cases and subsequently improve access to public contracts for socially innovative stakeholders and social enterprises. Existing bodies such as **KOINNO and the Competence Centre for Sustainable Procurement** are included in this process.
- The Federal Government intends to increase the **visibility of social startups in public procurement** and thus stimulate a more intensive use of public procurement to boost social innovations. To this end, it intends to bring together social enterprises and representatives of the public procurement sector.





Develop and expand funding instruments as needed



THE CURRENT SITUATION

Socially innovative stakeholders and social enterprises often lack needs-based access to public funding.²⁶ Needs-based in this sense means that their specific success factors are sufficiently taken into account to make them eligible for participation in funding programmes.

This can relate to the prerequisite in terms of the organisational form, which is just as necessary as understanding and having access to the application process and the required documents. In addition, planning socially innovative projects in particular from the beginning to the end of the current funding logic often turns out to be extremely difficult. Many funding measures are available to them in principle, therefore, but often prove to be unsuitable for these target groups.

SOLUTION

Funding structures and funding culture will devote more attention to social innovations and social enterprises. We would like to provide more process-oriented funding that does not give preference to certain stakeholders.

In appropriate tendering and selection processes, social innovation criteria are to be given a clear role at all relevant stages.



²⁶ Commission of Experts for Research and Innovation (2020): Report 2020. Available online at https://www.e-fi.de/fileadmin/Assets/Gutachten/EFI_Gutachten_2020.pdf

MEASURES

- **The Innovation Programme for Business Models and Pioneering Solutions (IGP)** of the BMWK is based on a broad understanding of innovation. The IGP focuses on non-technical innovations that are close to the market by companies and as a result also offers good starting points for socially innovative projects by social enterprises. The IGP, which was initially launched as a temporary pilot funding programme, will now be continued and become firmly established. A positive impact on third parties will be given special consideration in the funding decision for the projects that apply for funding.
- Social enterprises are often active in the areas of climate protection, sustainability, decent work and regional value creation. With the **joint task for the “Improvement of the Regional Economic Structure” (GRW)**, the Federal and state governments are supporting the foundations for a successful transformation in structurally weak areas of Germany, primarily in the case of investment projects carried out by companies in these areas.
- Social innovations also play an important role in key technologies such as **artificial intelligence (AI)** and are increasingly being funded. The idea contest “AI is what we make it” and the “Civic Innovation” funding programme of the Civic Innovation Platform (CIP), which is a core component of the interdepartmental initiative Civic Coding, encourage and financially support inter- and transdisciplinary work on non-profit and common good-oriented AI projects and thus promote the human-centred use, dissemination and perception of AI on a broad scale in terms of its common good-oriented benefits. This is also intended to – indirectly – support (non-profit) companies and startups that collaborate with applicants from the scientific, public or non-profit sectors, for example, to develop and implement AI ideas and projects for the common good with a labour and social policy focus. In addition, interdepartmental funding measures are currently being developed as part of Civic Coding framework to support AI-based social innovations.
- The **Software Sprint (Prototype Fund)** funding measure provides easily accessible support for the development of open-source software prototypes that are in the public interest (**Public Interest Tech**). This is the case, in the analysis of publicly available data, for example, in the strengthening of democracy, in participation and forming opinions, or in reducing barriers to access in individual sectors (health, mobility, law, etc.).





- **Municipalities in Germany** are responsible for a significant part of the provision of services of general interest and have thus become the breeding ground for social innovations and social enterprises. Current funding announcements – “The digital municipality: supporting interactive, participatory and data-driven planning processes” and “Technology-based innovations for care communities to improve the quality of life and health of informal carers”, in addition to “Closeness at a distance – making interpersonal bonds possible with interactive technologies”, also focus primarily on social innovation. In these cases, **participatory research into new social practices and processes** in the community and in the care sector is explicitly promoted. The **Kommunen innovativ (Innovative municipality)** programme promotes the collaboration of municipalities with scientific, commercial and civil society institutions in order to develop new perspectives and solutions for sustainability transformation.
- Social innovations in **education** are one of the keys to the future viability of our society. For this reason, the Federal Government supports many innovative education programmes. For example, the current Federal competition **Shaping the future – innovations for excellent vocational education and training (InnoVET)** and the InnoVET PLUS competition aim to further increase the attractiveness, quality and equivalence of dual and academic training by developing and testing new types of training programmes and innovative implementation concepts.
- **Rural areas** also benefit from the spread of social enterprises and social innovations. This is why the **Federal Rural Development and Regional Value Creation Scheme (BULEplus)** already supports model and demonstration projects, in addition to research measures in rural areas that are also capable of creating social innovations. With the Joint Task for the **“Improvement of Agricultural Structures and Coastal Protection” (GAK)**, the Federal and state governments support a wide range of innovative measures in the field of agriculture and for the development of rural areas, against the background of creating equal living conditions, among other things. With a highly participatory and flexible focus, innovative and social projects in particular can be supported.
- Social innovations also arise from **civic engagement**. At the same time, they can also be a source of inspiration for an economy for the common good. The **German Foundation for Civic Engagement and Volunteer Work (DSEE)** was set up for the main purpose of funding innovations in the field of civic engagement and volunteer work, and digital innovations in particular. This is carried out in a variety of DSEE funding programmes e.g. in the “TransformD” funding programme, which funds innovations in the transformation fields of “climate change”, “digitalisation” and “social cohesion” of NGO projects.

- Many social enterprises also make an important contribution to the 2030 Agenda and to achieving the UN Sustainable Development Goals in the partner countries of German development cooperation. This is why the German government intends to use the develoPPP programme to support social enterprises, among other things. The develoPPP Ventures funding instrument uses a matching grant model to support young companies that have already successfully applied an innovative business model to improve living conditions in a developing or emerging country and now want to scale up. develoPPP Ventures is currently available in Kenya, Tanzania, Ghana and Nigeria. The Agency for Business and Economic Development, the first point of contact for development cooperation regarding the involvement of companies in Africa, Latin America, Asia and Europe, is to provide social enterprises with more advice on funding opportunities and on markets with potential. Social enterprises and social innovations also play an important part in the **urban development and the housing industry**. For this reason, the Federal Government supports the development of housing associations with a **funding programme for the acquisition of housing association shares**. The new funding programme is intended to provide a tangible incentive, primarily for setting up new housing associations, but also to unlock the potential for increasing the current number of housing associations or

carrying out construction, refurbishment and modernisation measures. The **Social Cohesion programme** provides funding for the stabilisation and upgrading of urban and local areas that are disadvantaged economically, socially and in terms of urban development, in addition to being structurally weak. With its focus on urban regeneration, the pooling of resources and governance, involvement of a wide range of stakeholders, empowerment, activation and participation, the programme is a driver of social innovation. As operators of facilities and service providers, social enterprises are key stakeholders in this process.



itive



Drive growth and impact through optimised financing offers



THE CURRENT SITUATION

In order to better develop their social impact, social innovations must be disseminated and social enterprises must grow. This requires financial resources, which usually cannot come from their own revenues, especially in the early phase. Instead, they have to be acquired externally - as is the case with traditional companies.

Venture capital has established itself as a financing instrument for startups, whereas companies that are not aiming to dispose of their assets (exit) or are established in the marketplace tend to resort to debt or mezzanine capital (a hybrid form of debt and equity).

However, due to their focus on impact, social enterprises usually expect lower returns than other enterprises or, in the case of non-profit enterprises, have only limited reserves. Moreover, it has been demonstrated that social innovations tend to be disseminated more slowly than technological innovations, which makes them less attractive to traditional venture capital investors. In addition, many social enterprises are not exit-oriented, i.e. they are not aiming for an IPO or sale of the company, which means they frequently do not fall within the scope of traditional financing programmes for startups.²⁷ Crowdfunding and crowdinvesting have developed into excellent financing options that allow many social enterprises to acquire capital in the startup and growth phase. This potential has received little funding to date.²⁸

²⁷ Final report on the challenges facing the founding and scaling up of social enterprises for the Federal Ministry for Economic Affairs and Climate Action – Evers&Jung (2015): Challenges facing the founding and scaling up of social enterprises. Available online at [evers & jung Dokumentation \(bmwk.de\)](https://www.evers-und-jung.de/Dokumentation/bmwk.de)

²⁸ Fraunhofer IMW (2021): Impact crowdfunding: Improving the framework for the promotion of impact-oriented social enterprises. Available online at https://www.imw.fraunhofer.de/content/dam/moez/de/documents/220729_Potentialpapier_ImpactCrowdfunding_erste-Auflage_oeffentlich.pdf (in German only)



SOLUTION

In addition to funding through established government programmes, new and innovative financing models for social innovations and social enterprises are also to be offered and KfW loans are to be made increasingly available to social enterprises. Impact-focused financing is to be made more attractive and financial instruments are to be created where gaps and potential exist, also for non-exit-oriented social enterprises.



FIELD OF ACTION NO. 6



MEASURES

- The Federal Government will examine proposals and ideas for new **impact-focused financing formats**. It will also organise joint exchange formats with the Sustainable Finance Advisory Council of the Federal Government and the Advisory Council for Social Innovation to provide targeted advice. Examples include “**pay-by-result**” options, such as outcome funds or social impact bonds/social outcome contracting. Concepts for new financing instruments, for example, are being developed within the framework of the Platform for Social Innovation.
- In order to raise the target group’s awareness of social enterprises and their financing needs, we are promoting a **structured discussion between the financing partners** of the Federal Government’s equity, mezzanine and debt financing programmes and the stakeholders. In a **biannual dialogue with KfW**, the concerns of the social economy will be discussed, also with the aid of case studies. There will also be other discussion formats, including discussions with family offices.
- The Federal Government is strengthening the financing options for companies with different business models and legal forms in fair competition. To this end, it supports the access of social enterprises in all their diversity by examining the **possibility of non-profit SMEs – even those not subject to corporate tax – applying for KfW promotional loan programmes**. The prerequisite is that the regulatory and funding policy framework conditions make this possible. To this end, the required steps are now being initiated with KfW and the regulatory authorities. These include the “**ERP Startup Loan – StartGeld**” product and the planned new **programme for startups from the green economy sector**. In addition, with the Investment Loans for Municipal and Social Enterprises, a special KfW loan programme for social enterprises not subject to corporate income tax or trade tax is already available. The group of applicants for this programme was recently extended to include all non-profit applicants.

- Non-profit social enterprises find it difficult to access the **guarantee programmes of the guarantee banks**. The Federal Government is examining whether there are guarantee programmes from which these enterprises are excluded as applicants without there being sufficient reason for this. The possible use of funds from the European Social Fund (ESF) is also being considered.
- Many venture capital instruments are already available to social innovations and social enterprises. These include the “**INVEST – Venture capital grant**” programme. We intend to make **INVEST for mezzanine financing and for non-exit-oriented enterprises** available, also to take into account the special financing needs of social enterprises. To this end, we will be approaching the EU Commission to clarify the conditions under state aid law.
- Building on the extensive experience of the European Investment Fund (EIF) in the areas of social impact and climate investing, the Federal Government will also ensure that within the framework of the **ERP/(EIF) Facility for new fund investments**, initially at least 20 per cent on average is to be invested in companies operating in the areas of **green innovation, sustainability or social impact** as defined by the EIF. We will increase this percentage further in the medium term.
- **KfW Capital**, as a subsidiary of KfW, is also to make targeted investments in venture capital funds that address important areas that are still in need of development (e.g. impact investments, climate tech and diversity) in line with its mandate to finance and promote sustainable development.
- Further use is now to be made of the long-standing experience of German **development cooperation in the field of impact investment** in order to offer social enterprises additional opportunities to open up new markets and to combine expected returns with sustainability criteria.²⁹

²⁹ Impact investment funds, which channel investments into developing and emerging countries, help to exploit growth opportunities in the Global South and support the strengthening of local financial markets. As a result, they make important contributions to various development goals and underscore the role of social enterprises towards achieving these goals. Cf. also: KfW Development Bank: Impact funds – social commitment with returns | KfW Development Bank ([kfw-entwicklungsbank.de](https://www.kfw-entwicklungsbank.de))

FIELD OF ACTION NO. 6



MEASURES

- **Mezzanine capital**, a hybrid form of debt and equity capital (e.g. in the form of subordinated loans or silent partnerships), is ideally suited to financing social enterprises, which is why the Federal Government now intends to promote the use of mezzanine financing to a greater extent:
 - In order to reach social enterprises more effectively as a **target group for mezzanine financing**, we are promoting intensified talks between **medium-sized investment companies (MBGen)**³⁰ and representatives of social enterprises and their associations. At these meetings, the distinctions between the various companies in the group and the funding policy challenges to be faced in financing this group of companies are to be discussed with the aim of contributing to setting up a **monitoring system for social enterprises** (with and without non-profit status).
 - The Federal Government will continue the **Micro-mezzanine fund for Germany**. Subject to the provision of the necessary public funds, this fund is also to be opened to social enterprises with non-profit status. The requirement of personal liability for social enterprises is to be eased.
 - The new component of the **Future Fund, RegioInnoGrowth (RIG)** can be used to finance companies developing ecological, digital or social innovations. To the extent permitted by the regulatory and funding policy framework conditions, we will ensure that social enterprises can profit from the RIG. Depending on their needs, in the process of defining and implementing the programme, the Länder are very flexible, but a key focus will be on mezzanine financing.

30 The Federal and state counter-guarantee programme promotes mezzanine financing via middle market investment companies (private equity investment companies). As of 2023, as part of the counter-guarantee programme, investments of up to 1.5 million euros (in exceptional cases 2.5 million euros) per company are possible.

- The Federal Government intends to launch a **pilot investment in an impact investment fund** that supports social enterprises with mezzanine and/or equity capital. This will make it possible to gain additional knowledge of the market and to support existing developments in the field of impact investment funds for social enterprises. To ensure that a pilot investment is possible, public funds, among other things, must first be available, the risk and return expectations must be reasonable, an investment opportunity must exist and the conditions under state aid law must be clarified. If the pilot investment proves to be successful, then, based on the experience gained, the creation of a new **specific instrument for social enterprises** is planned.
- The Federal Government intends to create the legal framework for using **assets in orphaned accounts to fund the common good**. To this end, a “**Social Impact Fund**” is to be set up primarily to fund social innovations that serve the common good and social enterprises.



SIX



Expand research on social innovations and social enterprises



THE CURRENT SITUATION

To be able to fund social innovations and social enterprises in a targeted manner, more empirical data on their emergence, dissemination and impact is needed. However, there is not yet enough reliable data available for a comprehensive scientific analysis.³¹ Due to the fact that measurable criteria for social enterprises are not easy to come by, there is a lack of statistical data on their number, size and revenue. Furthermore, there are still many unanswered research questions on the development and scaling of social innovations.



SOLUTION

We would like to strengthen the scientific database in order to optimise the funding, effectiveness and acceptance of social innovations and social enterprises. To this end, we are conducting more research on success factors and obstacles, in addition to intended and unintended impact. Regulatory sandboxes, scientific studies, in addition to the collection of data and the monitoring of regional, national and international developments, are important instruments for testing the effectiveness and acceptance of social innovations.

31 IAT (2022): Social innovations and support infrastructures in innovation ecosystems. Available online at [Social innovations & support infrastructures in innovation ecosystems \(iat.eu\)](https://socialinnovations.eu)

MEASURES

- The Federal Government has explicitly extended its current **funding guideline for innovation impact assessment (INSIGHT)** to include the area of social innovations, and within this framework is funding projects for measuring the impact of social innovations. In future, the social impacts, in addition to the opportunities and risks of social innovation, will continue to be analysed in the innovation impact assessment.
- To improve the **data situation of the social economy**, the Federal Government will carry out a **study on data collection** and provide continuous monitoring of the data collected. Moreover, existing statistical data will also be included. As is already the practice in some European countries, the Federal Government will examine the case for establishing satellite accounts for the registration of social enterprises.
- With the **Transformation Clusters on Social Innovations for Sustainable Cities**, the Federal Government is funding comprehensive research and testing of social innovations for climate-neutral and liveable cities and municipalities in (inter-) regional real-world laboratories. The focus is on identifying and (further) developing promising socially innovative solutions and blueprints and fostering the transfer to other cities and municipalities.
- With “**Junior Research Groups in Social-Ecological Research**”, the Federal Government is funding research on social innovations in various contexts. The topics range from the impact of socially innovative citizen participation formats used in the transition of the mobility system up to community-supported agriculture as a socially innovative form of organisation to strengthen regions in economic declines.
- With the funding measure “**Sustainable mobility in regional transformation areas – in metropolitan regions, regiopolitan regions and intermunicipal alliances**” under the roof of the transformation initiative City-Country-Future, the Federal Government is supporting the research, development, spatially upscaling and transfer of social and technological innovations for a sustainable mobility system in regions. As part of the “**Sustainable Urban Mobility**” **research agenda**, the Federal Government is funding the Citizens’ Council “Joint transport turnaround in city and country” to research as to whether and how this socially innovative participatory approach can contribute to increasing society’s acceptance of mobility transformations at local level.



Promote skills development for social innovations and socially responsible business activities



THE CURRENT SITUATION

In Germany's educational landscape, there have been comparatively few opportunities to learn about social innovation or social entrepreneurship and to acquire the relevant skills.

However, the development of social innovations and the successful establishment of social enterprises requires educational programmes that will enable knowledge relating to the development phases of social innovations and the impact and business models of social enterprises to be acquired as early as possible.^{32, 33} This requires that all participants are in possession of the appropriate skills.

SOLUTION

Educational opportunities to develop the skills required for socially responsible business activities and social innovations are to be expanded; appropriate teaching and learning opportunities relating to social innovations and social enterprises for all age groups raise awareness of the issues and impart the corresponding knowledge and skills.

Universities are now offering more and more courses in these fields – we intend to support this further through targeted incentives. We also intend to incorporate information and knowledge on social innovations and social enterprises into career guidance.

32 KfW (2113): Social enterprises as investment projects. Available online at <https://www.kfw.de/PDF/Download-Center/Konzernthemen/Research/PDF-Dokumente-Volkswirtschaft-Kompakt/One-Pager-2013/VK-Nr.-24-September-2013.pdf> (in German only)

33 BMWK (2021): From the idea to market success – Programmes for an innovative SME sector. Available online at <https://www.bmwk.de/Redaktion/EN/Publikationen/Technologie/from-the-idea-to-market-success.html>

MEASURES

- In order to activate social potential, primarily at **universities**, and thus secure the basis for socially innovative initiatives and ventures, the Federal Government has launched the **“Society of Innovations – Impact Challenge”** funding measure at universities. Firstly, projects will be funded that explore further education and training tools for social entrepreneurship and social innovation. And secondly, young academics will be targeted to further develop ideas for social innovations and transfer them into practice. Raising awareness for social innovations and social entrepreneurship at universities is also to be strengthened through the funding of specific formats and networks (e.g. as is the case with the “Sustainability in Science Initiative”). This will include current measures designed to raise awareness for startups, such as **“Young Entrepreneurs in Science”**, which is aimed at doctoral candidates.
- A focus is now to be placed on integrating social innovations and social enterprises into current measures and courses such as **“Entrepreneurship in Schools”** and the digital information courses offered at public startup and competence centres, trade promotion centres and chambers or on **“Girls’ and Boys’ Day”**.
- Acquiring knowledge about financial and economic relationships and applying it in everyday life is a basic prerequisite for competent business decisions, social participation and economic independence, and thus a prerequisite for socially innovative startup activities. The Federal Government will develop a **National Strategy for Financial Education** in Germany together with the OECD and with the involvement of all relevant stakeholders. This is a social innovation for the Federal Government itself, since this will be the first time it has dedicated itself to research on financial education together with the establishment of a central **financial education platform**. Basic knowledge of financial relationships and products enables socially innovative stakeholders and citizens to better assess their economic environment and increases their willingness and their ability to participate in the financial market.





Establish focus on impact and impact measurement as the standard



THE CURRENT SITUATION

Social innovations and social enterprises want to achieve social impacts with their solutions.³⁴ The broader view of funding to include social stakeholder groups has led to a more systematic and professional discussion on the impacts of social change.³⁵ So far, however, there are no generally accepted indicators and models that take into account social, ecological, political or cultural impacts.³⁶

Ultimately, one will also have to bear in mind that social impact in all its forms cannot be measured easily. Moreover, measuring and presenting their impact on society is both complicated and costly for social enterprises, in particular because uniform standards are lacking.



SOLUTION

Social impact is a fundamental component of social innovation and social enterprises.

For this reason, it is important that impacts are made more visible and measurable, and that appropriate standards for the measurement of such impacts are disseminated and skills taught to make this possible.

³⁴ We refer to an impact occurring when a change takes place or a change process is triggered on the level of one's consciousness, of one's actions, of one's circumstances or of society as a whole.

³⁵ IndiSi, IndiSiPlus, ISI, Sina, WISIH projects: IndiSi+ / SI Indikatorik (si-metrics.eu), WISIH - Social Innovation from Universities - CHE (in German only); Social Innovation in Sustainability Transformation (transformations-magazin.com) (in German only)

³⁶ Cunha/Benneworth (2019): How to measure the impact of social innovation initiatives? Available online at https://repositorium.sdum.uminho.pt/bitstream/1822/70905/4/Cunha_Benneworth_2019.pdf. Or also: Kleverbeck/Krlev/Mildenberger et. al (2021): Indicators for measuring innovation. Available online at https://www.socialinnovationatlas.net/fileadmin/PDF/volume-2/01_SI-Landscape_Global_Trends/01_21_Indicators-for-Measuring-SI_Kleverbeck-Krlev-Mildenberger-Strambach-Thurmann-Terstriep-Wloka.pdf

MEASURES

- In the medium term, a **set of indicators** will be developed across ministries to make **impact measurement** for social innovations more comparable. In the **Impact Measurement and Valuation Lab** research project, a committee of scientific experts will initially establish the basis for support provided both by funding bodies for social innovations and socially innovative stakeholders in an Open Social Innovation Initiative. The evaluation of the Society of Ideas – Competition for Social Innovations will also look at the **development of indicators for social impact**.
- To extend **skills development**, the **REACT with impact funding programme** provides information and training for social enterprises in the field of impact measurement and management.
- Based on international standards and findings, the Federal Government is examining the development of uniform **standards for focus on impact and impact measurement** that will help social enterprises and their funding partners to measure their impact depending on the development stage of the company and field in which it operates.





Increase visibility and recognition



THE CURRENT SITUATION

To some extent, there is a lack of awareness of social enterprises and social innovations, and their respective significance by the general public, but also by companies, partners and stakeholders.³⁷

Compared with a number of other countries, there is no clear definition or generally accepted criteria that apply to social enterprises or a standard state certification in Germany that would improve transparency and recognition.³⁸

SOLUTION

In order to increase their visibility, society, science and politics must be made more aware of their potential and possible roles. Social entrepreneurs also need effective lobbyists to support, bundle and promote their interests.



³⁷ European Commission (2020): Impact of the European Commission's Social Business Initiative (SBI) and its follow-up actions. Available online at <https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8373&furtherPubs=yes>

³⁸ Cf. e.g. the Social Enterprise Label in Austria: <https://www.aws.at/verified-social-enterprise-label/>

MEASURES

- Social innovations and social enterprises are to be made visible through regular **summit meetings for socially responsible business activities and social innovations**.
- Targeted **communication campaigns and measures**, e.g. an overview or an atlas of stakeholders, in addition to specific competitions, are to make social enterprises and social innovations more visible, especially in the regions in which they are based.
- In order to become more visible to potential customers, social enterprises can also receive support when attending a trade fair through the **“Young innovative companies at leading international trade fairs in Germany” (Young Innovators) trade fair programme**.

The Federal Government will **communicate proactively** on social innovations and social enterprises. To this end, it will support the stakeholders' communications with business, politics, science and administration. As an important interface for this purpose, **the Commissioner for Social Innovation at the BMBF** has already been appointed to serve as a lobbyist for socially innovative stakeholders and will open up new communication channels for them. The **BMWK** also has an organisational unit of its own that is available as **a contact for social entrepreneurship** and is committed to representing the specific interests of social enterprises and the implementation of the relevant entrepreneurial measures of the strategy.





Seek European and international solidarity



THE CURRENT SITUATION

Social innovations and social enterprises have a long tradition in Germany. Nevertheless, to design framework conditions that meet present needs, what needs to be done now is to take into account the developments in other countries and possible interactions between regulations.³⁹

This is quite simply because the major social challenges do not stop at our national borders. With the focus of their business area, many social enterprises are also making an important contribution to achieving the United Nations Sustainable Development Goals in the partner countries of German development cooperation.

However, national rules and standards are often an obstacle to the cross-border dissemination of good solutions. Continuing support for social enterprises and social innovations at the European and international level also needs coordinated approaches between those countries that advocate for a suitable (regulatory) framework.

³⁹ See comparative synthesis report in: European Commission (2020), Social Enterprises and their Ecosystems in Europe. Available online at <https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8274>

**SOLUTION**

We intend to learn from the experience of other countries and intensify discussions within the EU, the OECD and the partner countries of German development cooperation on national, European and international strategies and measures for social innovation and social enterprises.

By expanding cross-border cooperation, our aim is to find answers to urgent questions and to implement best practices in Germany.



FIELD OF ACTION NO. 11



MEASURES

- **The European Commission's Social Economy Action Plan (SEAP)**⁴⁰ recognises the relevance of the social economy with its numerous stakeholders who are reshaping inclusive and sustainable economic models that will ultimately lead to more equitable environmental, economic and social change. The Federal Government supports the European Commission's plans to achieve tangible improvements at the European level in a variety of areas, such as public procurement, access to funding or legal framework conditions.
- We intend to fund civil society engagement across borders. We are pushing ahead with the legislative initiative at EU level on the **cross-border activities of associations** and intend to simplify the equivalence checks for non-profit status from other Member States and in this way facilitate cross-border donations and cooperation in accordance with European law.
- The Federal Government continues to work on the **follow-up declaration to the "Luxembourg declaration – A roadmap towards a more comprehensive ecosystem for social economy enterprises"** and, together with other Member States, advocates vis-à-vis the EU Commission that social enterprises be systematically funded at European and national level.
- In discussions with the EU Commission, the Federal Government will make a clear case for **improving state aid law for social innovations and social enterprises**. We will also examine the definition of "companies in difficulty" as it relates to social enterprises.
- In order to examine interesting developments and successful funding strategies from outside Germany, international experts have now been included in the high-calibre **advisory board for social innovations**.



40 European Commission (2021) Social Economy Action Plan. Available online at <https://ec.europa.eu/social/main.jsp?catId=1537&langId=en>

Outlook

In order to strengthen social innovations and social enterprises in a targeted manner and to better link government activities with those of civil society, science, business and the capital market, the Federal Government will create opportunities and structures for **cross-sectoral discussions and joint action**. In doing so, it will involve the relevant stakeholders, pool their skills and use their expertise to implement and further develop the strategy.

We intend to record the **progress and successes of the strategy** and monitor its implementation in cross-ministerial discussions. In addition, taking into account the prime responsibilities of the various ministries involved and with inter-ministerial coordination, a **meaningful indicator system** is to be developed with clear, overarching goals and monitored during implementation. Relevant stakeholders can be involved in this process and, among other things, the further development of the strategy is to be made compatible with the activities of our European and international partners.

