



**DKM Economic Consultants Ltd.**

6 Grand Canal Wharf,  
South Dock Road,  
Ringsend,  
Dublin 4.  
Telephone: 353 1 6670372  
Fax: 353 1 6144499  
E-mail: [info@dkm.ie](mailto:info@dkm.ie)  
Website: [www.dkm.ie](http://www.dkm.ie)



THE SOCIAL INVESTMENT FUND

---

ESTABLISHED 1996

**The Economic and Social Contribution of  
Clann Credo – the Social Investment Fund**

December 2011

# CONTENTS

	<b>Executive Summary</b>	<b>(i)</b>
<b>Section 1</b>	<b>Introduction</b>	<b>1</b>
<b>Section 2</b>	<b>Clann Credo – the Social Investment Fund’s Contribution to Ireland’s Social Enterprise and Community Business Sector</b>	<b>3</b>
2.1	Social Finance	3
2.2	An Overview of Clann Credo - the Social Investment Fund’s Activity since 1996	4
2.3	Social Dividend	10
<b>Section 3</b>	<b>Economic and Social Impact of Clann Credo - the Social Investment Fund</b>	<b>12</b>
3.1	Characteristics of Clann Credo - the Social Investment Fund beneficiaries	12
3.2	Profile of Clann Credo - the Social Investment Fund Loan assistance	13
3.3	Economic Impact of Clann Credo - the Social Investment Fund	16
3.4	Social Impact of Clann Credo - the Social Investment Fund	25
<b>Section 4</b>	<b>The Social Enterprise and Community Business Sector in Ireland</b>	<b>29</b>
4.1	Background	29
4.2	Regional Distribution	31
4.3	Financial Information	32
4.4	Employment	34
4.5	Economic Impact of Social Enterprise and Community Businesses in Ireland	36
	<b>Appendices</b>	<b>37</b>

## EXECUTIVE SUMMARY

Over the past 15 years, Clann Credo – the Social Investment Fund (Clann Credo) has provided close to €33 million in Socially Directed Investment (SDI) to Social Enterprise and Community Business (SECB) projects throughout the country.

### Clann Credo supported SECBs.....

- 84% of Clann Credo supported SECBs are Companies Limited by Guarantee and 85% have been granted Charitable Status.
- As of end of 2010, 137 loans to the total value of €15.4 million were outstanding. The average SDI per project was €112,300. SDIs to community facilities accounted for 19% of current loans in terms of value, with an average of just over €95,000.
- Community facilities and infrastructure, community care and education, employment and community enterprise were the most significant social dividend categories associated with the SDIs provided.
- On average, Clann Credo SDIs accounted for just over 28% of the total project cost.
- Thus, the total value of projects supported by the Fund over the past 15 years amounts to €115 million.
- 46% of surveyed companies stated that Clann Credo funding helped secure additional grants.
- Grants accounted for 52% of total income for surveyed SECBs, while traded activities made up 38%.

### ..... making a significant economic contribution, both locally and nationally....

- Clann Credo assisted companies had a turnover of €48 million in 2010.
- Survey respondents stated that 45% of this annual turnover was due to Clann Credo's SDIs, giving a net economic contribution of the Fund of €21 million.
- SECBs in receipt of Clann Credo SDI spend a large proportion of their incomes locally: €27 million (57%) went on wages, while local businesses and services benefitted from expenditure of €7 million in 2010.
- In 2011, Clann Credo assisted SECBs employed 820 full time and 670 part time workers, many of whom were on various labour market schemes, underlining

the importance of Clann Credo support in the training and assisted employment arena.

- Clann Credo was directly responsible for maintaining 630 jobs and creating 260 jobs.
- 3,100 volunteers donated their services to Clann Credo client companies in 2011, putting in an estimated 261,000 hours a year. The monetary value of this contribution is equivalent to €2.3 million per annum.
- The total economic impact of Clann Credo assisted SECBs came to €63 million in 2010, implying an economic multiplier of 1.32, thus for every €1 injected into the Irish economy by a Clann Credo client, the Irish economy benefits to the tune of an additional 32 cent.

#### **... and affecting substantial social benefit.**

- Clann Credo has invested significantly in the Social Capital of Irish communities at a time when economic realities are putting increasing strains on the social fabric of Irish life.
- On average, 88,000 users per month (1.1 million users per year) frequent Clann Credo supported facilities all over the country.

#### **A new mapping of the SECB sector in Ireland confirms its significant economic impact.**

- There were 1,420 SECBs in Ireland with a turnover of €1.4 billion in 2009, accounting for 0.9% of GDP.
- Counties Leitrim, Sligo and Mayo had the highest concentrations of SECBs per 10,000 of population.
- 17% of total income arose from traded activities, equivalent to €243 million.
- The average loan/overdraft for a SECB was €62,000, equivalent to about half of the average loan taken out by Clann Credo assisted companies.
- The Irish SECB sector was a major employer and in 2009 provided 24,800 full time and 450 part time jobs.
- €845 million were paid out in payroll related expenses, including €60million to the Exchequer in the form of social security payments (PAYE, PRSI).
- When the total multiplier effect was taken into account, the Irish SECB sector accounted for 1.2% of Irish GDP in 2009.

## **Section 1 Introduction**

### **Background**

Clann Credo - The Social Investment Fund has been in existence for 15 years. It was established by the Presentation Sisters in response to the desire to use finance in a way that would sustain communities and help people to enhance their own well being. Over 20 religious charities have lent over €10 million to the Fund over the years. All Clann Credo's capital has been raised privately, without recourse to government funding. In recent years this has been supplemented by the retail banking sector through the Social Finance Foundation.

Today, Clann Credo provides affordable loan finance to community, voluntary and charitable organisations, community businesses and social enterprises throughout Ireland and abroad.

It considers loans up to €500,000 and loans are generally for a period of up to seven years, but longer repayment periods may be considered. Funds are invested in projects that deliver a social as well as a financial return. This financial return goes towards covering the costs of its operation. As each loan is repaid, it is recycled to another project.

It has been granted charitable status by the Revenue Commissioners. It operates as a social enterprise and is a Company Limited by Guarantee without share capital.

DKM Economic Consultants have been engaged to prepare a study of Clann Credo – the Social Investment Fund's economic and social contribution and to also estimate the economic importance of the wider Social Enterprise and Community Business (SECB) sector. For the purposes of this study, the following definitions are adopted:

#### Social enterprises:

- Social Enterprises are organisations or businesses set up to tackle social, economic or environmental issues.
- Driven primarily by social and/or environmental motives, they engage in trading or commercial activities to pursue these objectives and produce social and community gain.
- Profits or surpluses generated by the enterprise are reinvested to further their social objectives.
- Ownership of the enterprise is within a community, or amongst people with a shared interest.
- Social enterprises have a strong job creation focus to help local people and

communities.

- Social Enterprises are committed to social justice and social inclusion.<sup>1</sup>

Community businesses:

- A community business is a social enterprise that has a strong geographical definition and focus on local markets and local services.
- It is typically set up, owned and controlled by the local community and aims to create ultimately self-supporting jobs for local people and be a focus for local development.<sup>2</sup>

The study draws on a number of different information sources to build up a picture of the nature and extent of the support provided by the Fund and the difference that this has made to organisations in the sector, including:

- Clann Credo – the Social Investment Fund’s own internal statistics on lending;
- A DKM survey of organisations and groups that have received Socially Directed Investment (SDI) from the Fund and
- A specially commissioned interrogation of the Irish Nonprofits Knowledge Exchange (INKEx) database which ensures that the study will, for the first time, provide a comprehensive description of the SECB sector in Ireland, allowing an assessment of its economic contribution.

This report is laid out as follows:

*An Executive Summary* sets out the key findings from the study.

*Section 2* presents Clann Credo – the Social Investment Fund’s contribution to the SECB sector over the past 15 years.

*Section 3* analyses the results of the DKM survey of Clann Credo – the Social Investment Fund’s clients and calculates the economic and social impact of Clann Credo – the Social Investment Fund’s activities.

*Section 4* maps the SECB sector in Ireland and calculates its national economic impact.

*An Appendix* contains detailed regional information referred to in the text of the report.

---

<sup>1</sup> <http://www.socialenterprise.ie/default.aspx?m=23&mi=215>

<sup>2</sup> <http://www.doncastersep.org.uk/glossary.htm>

## **Section 2 Clann Credo – the Social Investment Fund’s contribution to the SECB sector**

### **2.1 Social Finance**

The need for Social Finance arises from the failure of the market to provide certain enterprises with adequate investment finance to grow and/or to remain in business. Access to credit from the mainstream banking sector for SECBs in Ireland has always been difficult, as they do not fit the conventional risk and security profile that lenders require. Typical problems include:

For the banking sector:

- The cost of extra diligence needed because of poorly understood risks and general risk averseness of banks in the current climate.
- The closure of many local bank branches has meant that mechanical credit scoring techniques have frequently replaced “relationship banking”.
- Social dividend is not valued as bankable return on investment.

For the SECB sector:

- Inability to offer collateral or personal security, as most companies are run by voluntary boards of directors.
- Location in a disadvantaged area.

Social Finance delivers resources to communities and enterprises that are often overlooked by conventional sources of finance, and ensures that all investments produce a social gain or benefit. All funding recipients are assessed first on their capacity to deliver meaningful benefit to the clients or the community they serve, and then on their ability to repay the loans.

Clann Credo was instrumental in the establishment of the Social Finance Foundation (SFF). The initiative, announced by the Minister of Finance in Budget 2006, is supported by the retail banking industry through the Irish Banking Federation (IBF). SFF was established as a wholesale lender in the social finance arena and it operates through Social Lending Organisations (SLOs).

The following are the organisations approved by the SFF as SLOs:

1. Clann Credo – the Social Investment Fund
2. First Step Microfinance
3. UCIT Loan Fund

4. LEDP Limerick Enterprise Development Partnership
5. Cavan Enterprise Fund

First Step, LEDP and Cavan Enterprise Fund are predominately Micro-Finance Institutions (MFI) specialising in loans of less than €25,000 for terms no greater than three years to private individuals for business purposes. The Ulster Community Investment Trust (UCIT) concentrates its activities in Northern Ireland and in the Border counties.

Social Finance in Ireland is in its infancy compared to other countries, such as the UK for example, which has recently, through sustained government policy, developed some strong Community Development Finance Institutions (CDFIs)<sup>3</sup>.

## 2.2 An overview of Clann Credo's activity since 1996

Clann Credo – the Social Investment Fund (Clann Credo) - unlike the majority of commercial loan providers - does not require a personal guarantee from applicants. This is significant for potential project promoters in the SECB sector – many of whom are volunteers - as it reduces the personal risk that they are required to take on in pursuit of community benefits. This was highlighted by a number of respondents to the DKM survey of the sector, as instanced below:

*"It means that the directors and managers of the company do not have to go to the bank for a loan and then have to provide personal guarantees."*

*"It allowed the organisation to add additional services quicker than would otherwise have been possible. This was possible because loans did not need to be guaranteed by voluntary directors."*

### 2.2.1 Range of activities

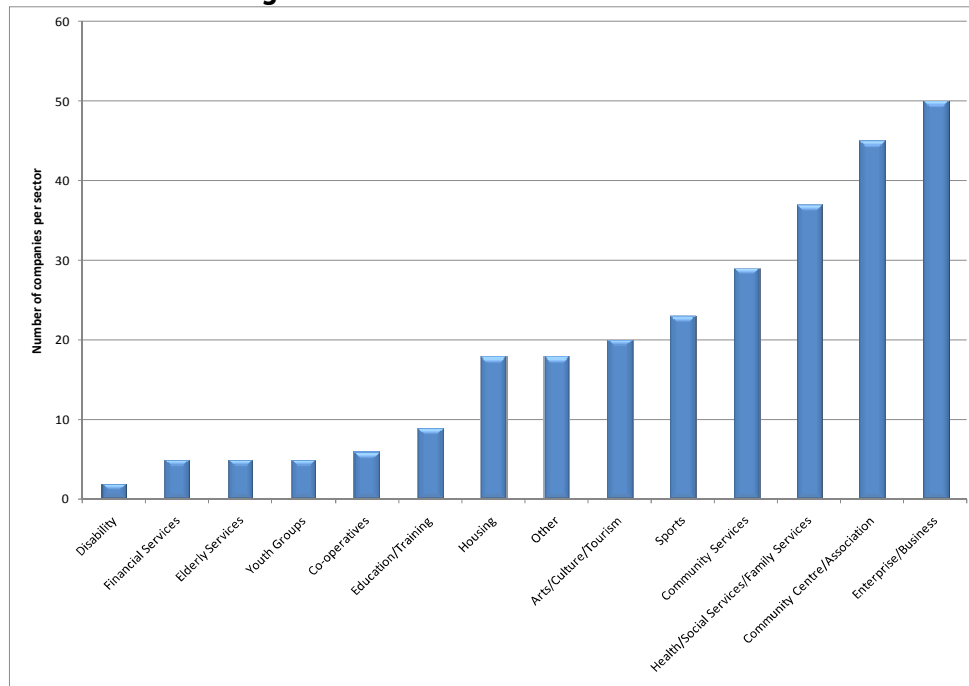
As Figure 1 below indicates, the largest number of Clann Credo clients fall into the broad enterprise/business category. Community associations and community centres as well as community services are clearly also very important.

---

<sup>3</sup> It should be noted that the majority of these institutions are more properly described as MFIs.



**Figure 1: Activities of Clann Credo clients**



Source: Clann Credo

### 2.2.2 Total loans provided

According to figures provided by Clann Credo, from 1996 to the end of 2010, the Fund has provided close to €33 million in support to community and voluntary projects throughout the country, for 327 organisations and enterprises (some enterprises have had more than loan).

This support has included not only loan finance, but also equity investment in earlier years, and, in two instances, property investment. In recent years, however, loan finance has been the sole form of financial support provided by the Fund. As is evident from the following table and chart, the amount of financial support provided by the Fund has grown significantly in recent years and in 2010, more than €6.7 million in Socially Directed Investment (SDI) was disbursed.

**Table 2.1: Clann Credo loan statistics 1996-2010, €'000 current**

	Loan amount	Equity	Property	Total
1996	€57.1	€0	€0	€57.1
1997	€308.5	€0	€0	€308.5
1998	€1,508.4	€554.8	€0	€2,063.3
1999	€728.8	€965.0	€0	€1,693.8
2000	€495.1	€0	€0	€495.1
2001	€302.2	€292.1	€0	€594.3
2002	€453.7	€221.6	€0	€675.3
2003	€1,209.3	€0	€0	€1,209.3
2004	€1,505.0	€50.0	€597.1	€2,152.1
2005	€1,845.0	€0	€0	€1,845.0
2006	€3,292.4	€0	€0	€3,292.4
2007	€3,139.7	€0	€0	€3,139.7
2008	€3,263.3	€0	€0	€3,263.3
2009	€5,182.6	€0	€0	€5,182.6
2010	€6,755.0	€0	€0	€6,755.0
<b>Total</b>	<b>€30,046.3</b>	<b>€2,083.5</b>	<b>€597.1</b>	<b>€32,726.8</b>

Source: Clann Credo

The chart shows the acceleration of financial support provided by the Fund since 2008. At a time when conventional financial resources have virtually dried up for Irish small and medium sized enterprises (SMEs), Clann Credo's disbursement has increased by 58% between 2008 and 2009 and by 37% over the following year.

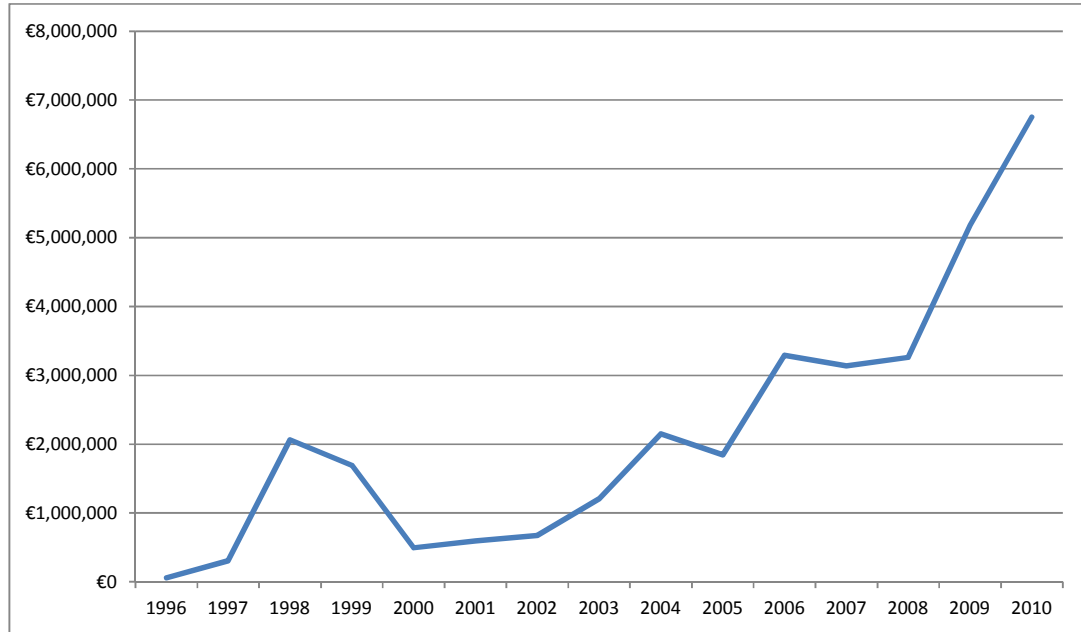
By comparison, bank lending to core<sup>4</sup> Irish owned SMEs in the year to March 2011 had declined by 9.7%.<sup>5</sup>

<sup>4</sup> Excluding financial intermediation and property related sector.

<sup>5</sup> This drop is also a reflection of a fall in demand, as SME's reduce their borrowings.

[http://www.centralbank.ie/polstats/stats/cmab/Documents/ie\\_Table\\_A.14.1\\_Credit\\_Advanced\\_to\\_Irish\\_Resident\\_Small\\_and\\_Medium\\_Sized\\_Enterprises.xls](http://www.centralbank.ie/polstats/stats/cmab/Documents/ie_Table_A.14.1_Credit_Advanced_to_Irish_Resident_Small_and_Medium_Sized_Enterprises.xls)

**Figure 2: Socially directed investment (SDI) provided by Clann Credo annually, 1996-2010, current €**



Source: Clann Credo

### 2.2.3 Loans outstanding and average loan size

As of the December 2010, 137 loans with a total value of some €15.45 million were outstanding <sup>6</sup>. The following tables and charts show how these funds were allocated.

- Loans to Community Facilities constitute the single largest category – accounting for 19% of current loans in monetary terms and 23% in terms of numbers of loans issued. The average loan issued was just over €95,000.
- This is followed by Enterprise Centres which currently account for 17% of funds loaned. This category had the largest average size of loan (€242,000).
- The average loan size to three overseas MFIs was €236,000.

<sup>6</sup> The total amount dispersed in relation to these loans was €19.8 million. Appendix 2 gives a break down by county of these amounts dispersed.

**Table 2.2: Current loans outstanding ('000)**

	Loan amount	% share	Number of loans	% share	Average loan value
Community Facilities	€2,950.4	19%	31	23%	€95.2
Enterprise Centre	€2,661.8	17%	11	8%	€242.0
Sports	€1,401.9	9%	12	9%	€116.8
Childcare	€1,256.4	8%	13	9%	€96.6
Social Housing	€1,068.4	7%	6	4%	€178.1
Addiction/Counselling	€875.5	6%	4	3%	€218.9
Disability	€748.9	5%	7	5%	€107.0
FRC/CDP <sup>7</sup>	€741.9	5%	10	7%	€74.2
Arts & Tourism	€709.9	5%	17	12%	€41.8
Micro Finance <sup>8</sup>	€708.8	5%	3	2%	€236.3
NFP Business <sup>9</sup>	€445.7	3%	5	4%	€89.1
Youth	€206.8	1%	4	3%	€51.7
Other <sup>10</sup>	€1,673.8	11%	14	10%	€119.6
<b>Total</b>	<b>€15,450.1</b>	<b>100%</b>	<b>137</b>	<b>100%</b>	<b>€112.8</b>

Source: Clann Credo

In terms of year of disbursement of outstanding loans, only 16% date from 2006 and earlier, while 59% of loans outstanding were disbursed in 2009 and 2010.

**Table 2.3: Current loans outstanding by year of disbursement ('000)**

Year Disbursed	Balance 31st December 2010	%	No of loans
1998	€24.1	0%	1
1999	€67.6	0%	2
2003	€528.2	3%	1
2004	€421.5	3%	4
2005	€325.0	2%	2
2006	€1,269.3	8%	11
2007	€1,796.8	12%	13
2008	€1,876.3	12%	17
2009	€3,422.0	22%	31
2010	€5,719.3	37%	55
<b>Total</b>	<b>€15,450.1</b>	<b>100%</b>	<b>137</b>

Source: Clann Credo

<sup>7</sup> Family Resource Centres/Community Development Projects

<sup>8</sup> Loans to microfinance institutions overseas

<sup>9</sup> Not for Profit

<sup>10</sup> Including sports, childcare and social housing.

### Regional distribution

A breakdown by county shows that in terms of loan amounts, Dublin and Mayo, at 21% and 15% respectively, are the two most prominent counties, followed by Cork (8%) and Donegal (7%) and then Limerick (6%) and Kerry and Clare (5%). However, this partly reflects differences in the average loan value, and in terms of actual numbers of loans disbursed, the spread is somewhat more even.

The concentration of loans in the Western Region is probably attributable to a number of factors: In the beginning Clann Credo focussed its SDI in the West, as that region was significantly disadvantaged. This policy was further reinforced by a Joint Venture with the Western Development Commission, which enabled Clann Credo to base a staff member in the region. When that arrangement expired, the Fund maintained its presence by basing a Social Finance Executive in Mayo.

**Table 2.4: Regional distribution of Clann Credo loans outstanding('000)**

	Loan amount	% share	Number of loans	% share	Average loan value
Dublin	€3,237.5	21%	24	18%	€134.9
Mayo	€2,335.3	15%	14	10%	€166.8
Cork	€1,246.9	8%	15	11%	€83.1
Donegal	€1,095.8	7%	9	7%	€121.7
Limerick	€890.3	6%	4	3%	€222.6
Clare	€788.9	5%	8	6%	€98.6
Kerry	€727.5	5%	9	7%	€80.8
Other	€708.8	3%	3	2%	€236.3
Tipperary	€587.0	4%	6	4%	€97.8
Leitrim	€543.3	4%	2	1%	€271.6
Laois	€518.2	3%	4	3%	€129.6
Meath	€468.2	3%	2	1%	€234.1
Roscommon	€411.4	3%	6	4%	€68.6
Galway	€408.4	3%	4	3%	€102.1
Waterford	€361.9	2%	5	4%	€72.4
Wexford	€330.3	2%	7	5%	€47.2
Sligo	€229.4	1%	6	4%	€38.2
Westmeath	€171.1	1%	1	1%	€171.1
Cavan	€141.9	1%	1	1%	€141.9
Monaghan	€77.4	1%	1	1%	€77.4
Wicklow	€67.2	0%	2	1%	€33.6
Offaly	€59.3	0%	2	1%	€29.7
Longford	€24.0	0%	1	1%	€24.0
Kildare	€20.0	0%	1	1%	€20.0
<b>TOTAL</b>	<b>€15,450.1</b>	<b>100%</b>	<b>137</b>	<b>100%</b>	<b>€112.8</b>

Source: Clann Credo

A more detailed table of the projects assisted by county is contained in Table A1 of Appendix 2.

## 2.2.4 Quality of loans outstanding

90% of the loan book was performing as of year end 2010.

**Table 2.5: Quality of loans outstanding ('000)**

Loan Quality	No of loans	Balance 31st December 2010	%
As per Original Repayment Schedule	102	€11,116.7	72%
As per Revised Repayment Schedule	21	€2,784.2	18%
In Discussion re Loan	3	€655.9	4%
Overdue Amount	11	€893.3	6%
<b>Total</b>	<b>137</b>	<b>€15,450.1</b>	<b>100%</b>

Source: Clann Credo

72% of loans outstanding are being repaid as per the original repayment schedule, and 18% of loans have been revised and are being serviced. This leaves about 10% of loans which are either overdue or in discussion.

The private sector experience for SMEs appears to have been significantly worse and was described by Mazars as follows:

*"...in June 2008, 14.7% of the market was contained in the 'Watchlist' or 'Impaired' categories. By February 2009 the percentage had increased to 22.3%, representing an increase of almost 8 percentage points in a nine month period."<sup>11</sup>*

## 2.3 Social dividend

In accordance with the principles of Social Finance, projects are vetted firstly on the social benefits that they are likely to generate and secondly on the ability of the project promoters to repay the loan as part of the Clann Credo loan review process.

An analysis of Clann Credo's data on loans awarded since 1996 shows the following breakdown in terms of the anticipated social dividend. In many instances, projects that received funding reported more than one social benefit and therefore will show up in more than one category.

The emphasis on community-related facilities is very apparent from the table below:

<sup>11</sup> <http://www.finance.gov.ie/documents/publications/reports/2009/mazarrepjul09.pdf>, page 59

**Table 2.6: Social Dividend**

Social Dividend	% of loans
Community Facilities/Infrastructure	27%
Community Care and Education	19%
Employment	19%
Community Enterprise	16%
Arts, Sports and Tourism	10%
Environment, Health and Sustainable Food	5%
Affordable Housing	4%
Other (e.g. Community Banking)	1%
<b>Total</b>	<b>100%</b>

Source: Clann Credo

- 62% of projects funded related to community facilities, infrastructure and enterprise.
- Employment creation was a core social gain arising from Clann Credo funding, with 19% of all social dividends listed falling into that category. This is of particular relevance in the current economic climate, where unemployment stands at 14.4% and close to 470,000 people are on the Live Register.<sup>12</sup>

Section 3.4 expands on the Social Capital contribution of Clann Credo’s activities over the last 15 years.

<sup>12</sup> [http://www.cso.ie/releasespublications/documents/labour\\_market/2011/lreg\\_aug2011.pdf](http://www.cso.ie/releasespublications/documents/labour_market/2011/lreg_aug2011.pdf)

## **Section 3 Economic and social impact of Clann Credo – the Social Investment Fund**

This Section is based largely on the results of a survey of organisations that have received Socially Directed Investments (SDIs) from Clann Credo over the years, focussing in particular on the period since 2008.

A detailed questionnaire was sent to 143 organisations<sup>13</sup> on Clann Credo’s client database. In total, 44 responses were received, giving a response rate of more than 31%. Responses were received from a representative cross-section of Clann Credo’s client base. Grossing up to this total current client base is applied where appropriate and instructive.

### **3.1 Characteristics of Clann Credo beneficiaries**

The vast majority of Clann Credo’s clients are Companies Limited by Guarantee (84%).

**Table 3.1: Legal status of Clann Credo clients**

Legal status	% of companies
Limited - no shares	84%
Limited by Shares	5%
Cooperative	2%
Association	2%
Trust	2%
Other	5%
<b>Total</b>	<b>100%</b>

Source: DKM survey

83% of SECBs in receipt of funding by Clann Credo have been granted Charitable Status by the Revenue Commissioners. A number of others reported that they were in the process of applying for it. Only 17% of respondents are registered for VAT.

The sample of Clann Credo’s client base encompasses organisations that range from being in the early stages of establishing facilities and services, to community organisations that have existed for many years (in one instance, over 70 years). The average number of years that respondents have been in existence is 19 years.

<sup>13</sup> This includes six organisations which had no *current* loan with the Fund at year end 2010.



95% of SECBs surveyed were in existence prior to the receipt of the Clann Credo finance, with a number of these stating that they would have been operating on a smaller scale then.

### 3.2 Profile of Clann Credo loan assistance

#### 3.2.1 Purpose of loan

Based on Clann Credo statistics, the Fund lent over **€7 million** to the 44 survey respondents. Loan amounts varied from just €20,000 to €500,000 with an average for the sample as a whole of almost €160,000.

As shown below, loans to finance property refurbishment, construction or purchase constitute the single largest category of financial support provided by Clann Credo, followed by bridging loans and working capital loans.<sup>14</sup>

**Table 3.2: Clann Credo loan by type**

Nature of loan	% breakdown
Finance for refurbishment, construction or purchase	39%
Bridging loan against grant income or other funding	25%
Working capital loan	16%
Matching funding loan	11%
Loans to purchase equipment and vehicles	7%
Other	4%
<b>Total</b>	<b>100%</b>

Source: DKM survey

Respondents were asked to indicate what proportion of the overall investment in the project or scheme the Clann Credo loan constituted. (This ranged from less than 10% to 100% but averaged at just over 28%). On this basis, Clann Credo funding was used to support an estimated **total investment of €24.7 million** by these 44 organisations.

**Given that the total SDI undertaken by Clann Credo over the past 15 years amounted to €32.7 million<sup>15</sup>, the total value of projects supported by the Fund would amount to €114.8 million, provided the same proportions apply.**

70% of respondents stated the Fund’s support has been essential to the success of the project, while 30% thought it was very important. The following box gives a flavour of the projects supported by the Clann Credo SDI made available to respondents, in their own words, as reported to the DKM survey.

<sup>14</sup> Some of the SECBs that participated in the survey have had more than one loan over the years or the loan may have been designed to achieve more than one objective.

<sup>15</sup> See Table 2.1

### Box 1: Purpose of Clann Credo loans

- *“To meet the deficit between Equal Opportunity Childcare Programme allocation, local funds and the actual cost of building a new custom designed childcare centre.”*
- *“To fund the development of new manufacturing/enterprise centre.”*
- *“To provide working capital and restructure an overdraft over a longer term and cover a shortfall in grant aid, complete play area for children.”*
- *“Replacement of bank debt incurred when building the centre and equipping the museum.”*
- *“Payment of retention fees to builder pending a refund.”*
- *“There was literally no money available and the banks were refusing to lend money – Clann Credo loan meant that we could keep going.”*
- *“Refurbishment - needed to grow as a business - moved to bigger centre with four rooms.”*
- *“Small plant and equipment purchase and to cover cash flow spikes.”*
- *“Track laying; bridging to buy locomotive and improvements to car park - the loan allowed us to access grant and avail of further loan.”*
- *“Organisation has received several loans from Clann Credo - first was matching funding to complete refurbishment work; second was to complete conservation work and third was to provide bridging loan and matching funding for digital camera.”*
- *“To purchase the building.”*
- *“To renovate and refurbish an existing village hall.”*
- *“Bridging loan for residential and caring for elderly.”*
- *“To renovate and upgrade an almost derelict hall.”*

### 3.2.2 Access to finance impact of Clann Credo

As discussed above, there has been a market failure which has resulted in a limited ability of SECBs to access finance in the open banking market. By providing access to finance to the social enterprise sector, Social Finance institutions such as Clann Credo work towards redressing this problem. In doing so they provide companies with a track record of borrowing which would be of benefit, if these companies were to attempt to access finance in the open bank market in the future.

**The DKM survey of Clann Credo clients found that 46% of surveyed companies stated that the Clann Credo loan helped secure additional funding.**

However, in no case did respondents refer to finance from conventional banks. It seems that in Ireland at the present time, this avenue to raising funding has been closed for the SECB sector:

- *“Government capital funding is now closed and credit from banks to community groups is non-existent”.*
- *“It means that the directors and managers of the company do not have to go to the bank for a loan and then have to provide personal guarantees”.*

Instead, respondents referred to the positive impact of the Clann Credo loan on their ability to access grant aid in the form of follow-on assistance:

- *“The loan from CC enabled the centre to finish the project which was then inspected by the HSE and approved. This also meant that we were in a position to apply for grants for equipment etc.”*
- *“We believe that having the support of Clann Credo contributes towards gaining the respect of funding bodies.”*

In many cases the Clann Credo loan was essential in providing matching funding that enabled the enterprise to draw down a substantial loan from another body:

- *“Couldn’t have drawn down the grant from South Tipp Development Co without Clann Credo loan.”*
- *“We had already secured funding under grants from the Sports Capital Grants Programme and the loan from Clann Credo enabled us to take up those grants. We could not have done so otherwise as we had exhausted all other avenues of funding.”*

Clann Credo loans were also used as bridging loans until such time as the grants were paid or until the investment made the expected return.

- *“Loan was used to fund the project whilst awaiting drawdown of grant.”*
- *“Clann Credo loan - bridging facility until other funds became available.”*

### 3.3 Economic contribution of Clann Credo

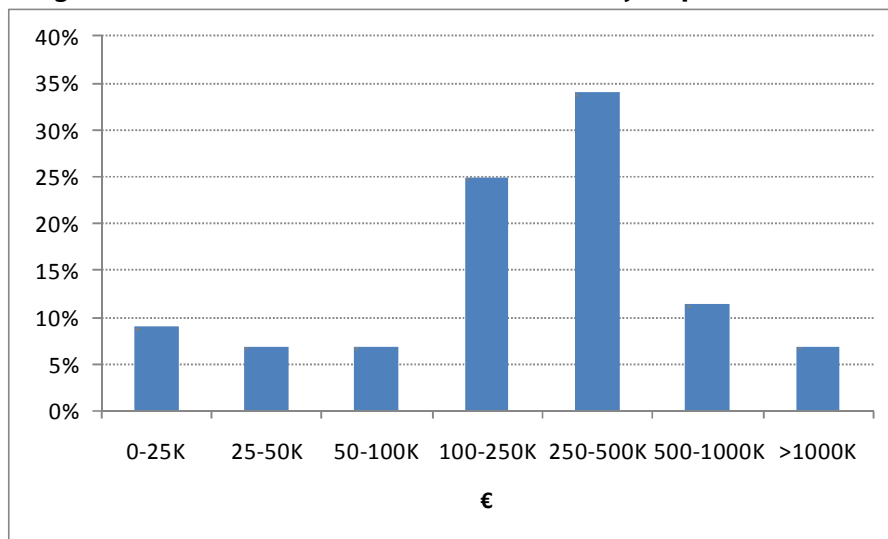
*“By realising that we now have access to funding at reasonable rates from people who understand community groups, we are no longer afraid to expand our activities and are actively seeking to do so.”*

This section reports on the economic contribution of Clann Credo assisted SECBs and on the additional economic impact arising from Clann Credo funding, as reported by survey respondents.

#### 3.3.1 Income/turnover of Clann Credo assisted SECBs

In 2010<sup>16</sup>, a quarter of surveyed Clann Credo clients had an annual income/turnover range of between €100,000 and €250,000. Some 34% fell into the next category of €250,000 to €500,000 per annum.

**Figure 3: Income/turnover distribution of survey respondents, 2010**



Source: DKM survey

Based on the reported turnover categories, the estimated annual income of the 44 Clann Credo clients who responded to the survey was almost €14.7 million in 2010.

**Grossing up to the total population of current Clann Credo clients, gives total estimated income/turnover of the companies assisted by the Fund of €47.7 million in 2010.**

<sup>16</sup> Or latest year available

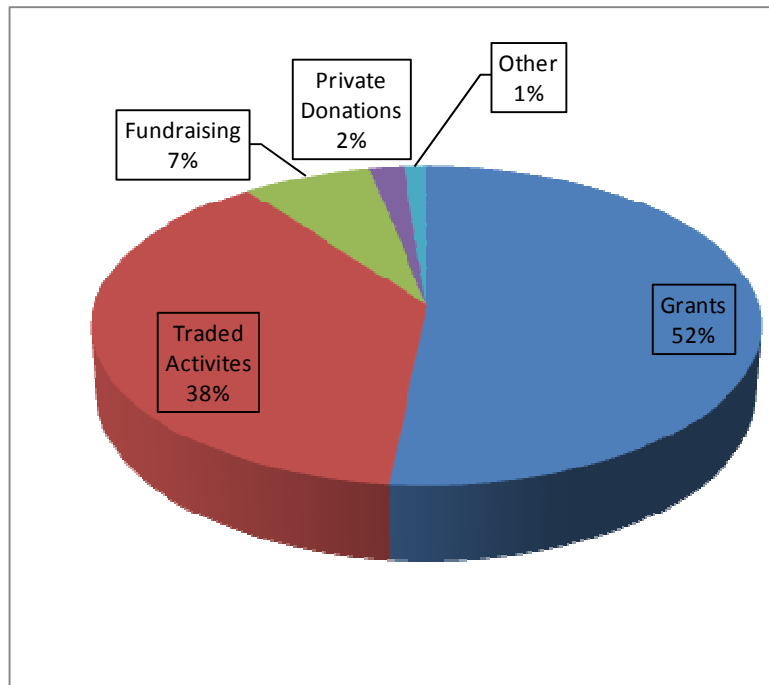
The average, **additional annual turnover due to Clann Credo’s involvement reported by the survey respondents was €148,566.**

If one assumes that a similar experience would have prevailed with all of Clann Credo’s current clients, this would have resulted in a turnover increase of **€21.2 million due to the Fund’s involvement, equivalent to 45% of the estimated total annual turnover of the Fund’s current clients.**

**Sources of income**

The survey results show that grants account for almost 52% of total annual income, followed by income from traded activities which accounts for more than 38%. Income from fundraising, donations and other sources is relatively modest by comparison.

**Figure 4: Sources of income**



Source: DKM survey

Organisations reported a wide range of income profiles. The following table attempts to capture this range by showing the relative importance of each income stream to respondents (summing to 100% when read horizontally).

**Table 3.3: Relative importance of income sources**

Income Source	Up to 10%	11-25%	26-50%	51-75%	76-100%	Total
Grants	20%	5%	36%	20%	18%	<b>100%</b>
Traded Activities	27%	7%	34%	16%	16%	<b>100%</b>
Fundraising	73%	16%	11%	0%	0%	<b>100%</b>
Private Donations	98%	0%	2%	0%	0%	<b>100%</b>
Other	93%	2%	5%	0%	0%	<b>100%</b>

Source: DKM survey

- For many Irish SECBs, grants constitute a vital element of their overall income stream. Indeed, grant income accounts for more than half of total income for 38% of the organisations that completed the questionnaire (and for at least a quarter of income for 75% of the sample). This highlights the vulnerability of the sector to continued and possibly sharpened cut-backs of public expenditure.
- By definition, traded activities are an important source of income for SECBs. For 32% of the organisations surveyed it accounted for over 50% of their total income and for almost two out of every three respondents, traded activities accounted for more than 25% of total income.
- Other sources of income – such as fundraising, private donations etc – accounted for a relatively minor share of income for the vast majority of respondents.

The recent report on Social Enterprise in Ireland by the Centre for Non Profit Management (CNM)<sup>17</sup> found similarly that Social Enterprises were highly grant dependent, with over half of respondents receiving over 50% of their funding from statutory grants.

### 3.3.2 Expenditure by Clann Credo Assisted SECBs

SECBs spend a large proportion of their incomes locally. Wages and salaries are by far the single biggest component of spending – accounting for 57% of the total (including employment related taxes).

Many organisations surveyed were not able to provide a detailed breakdown of other types of expenditure. Those that have, suggest that spending on local goods and services accounts for at least 14% - this is likely to be an under-estimate as there is at

<sup>17</sup> Prizeman G and Crossan D (2011), Mapping Social Enterprise in Ireland

least some overlap with the “other” category as some respondents reported in their comments that this included items such as professional fees and training (as well as spending on loan repayments etc).

**Table 3.4: Expenditure break down by category**

Expenditure	% share
Wages/Salaries and taxes	57%
Local Goods and Services	14%
Utilities	9%
Rent and Rates	2%
Equipment, Vehicles etc	2%
Other	16%
<b>Total</b>	<b>100%</b>

Source: DKM survey

When grossed up to the all companies currently assisted by Clann Credo, the following picture arises:

**Table 3.5: Average annual expenditure by category, 2010**

Expenditure	€'000
Wages/Salaries and taxes	27,192
Local Goods and Services	6,765
Utilities	4,392
Equipment, Vehicles etc	948
Rent and Rates	904
Other	7,534
<b>Total</b>	<b>47,734</b>

Source: DKM survey

- **An estimated €27.2 million were spent on wages, salaries and related taxes in 2010.**
- **Local businesses and services benefitted from expenditure of €6.8 million in 2010.** A significant proportion of “other” expenditure also arises locally, as mentioned above.

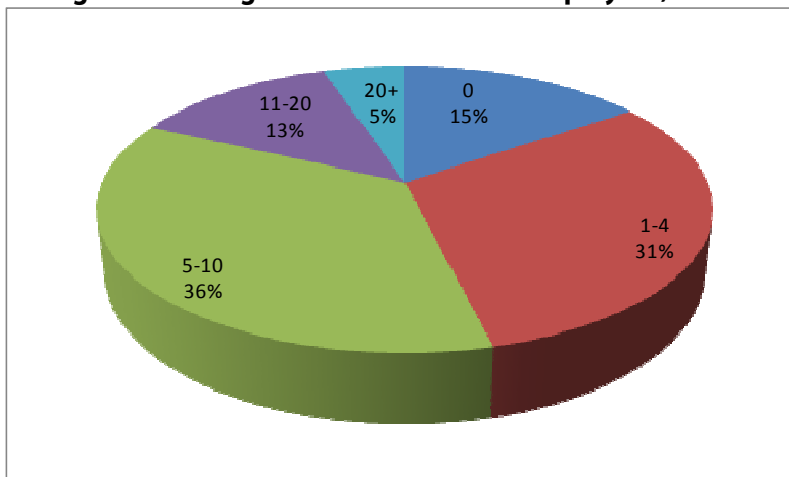
### 3.3.3 Employment in Clann Credo assisted SECBs

The organisations responding to the DKM survey reported that they currently employ 252 full time and 209 part time employees. The average number of full time employees was seven, while an average of five part time employees were at work in each of the respondents.

- The next chart shows that most SECBs in the survey had between 5 and 10 full time employees (36%).
- 31% of respondents had between 1 and 4 full time workers
- 15% of respondents had no full time employees. This result emphasises the

micro nature of most of these SECBs, but also their reliance on part-time workers (usually provided by a number of labour market schemes) and volunteers.

**Figure 5: Average number of full time employees, 2011<sup>18</sup>**



Source: DKM survey

**Grossing up employment to the current Clann Credo client base gives a total of 819 full time employees and 679 part time workers employed by assisted SECBs in 2011<sup>19</sup>.**

**Employment due to Clann Credo funding**

Respondents indicated<sup>20</sup> that Clann Credo funding was responsible for **maintaining 42% of jobs<sup>21</sup>** with their companies. **Employment creation** was reported as equivalent to **17% of their current work force**. The next table summarises.

**Table 3.6: Clann Credo impact on employment<sup>22</sup>**

Gross economic impact	
Total jobs in Clann Credo supported companies	1,498
<i>Jobs Maintained (42%) due to Clann Credo SDI</i>	629

<sup>18</sup> At the time of the survey, ie July 2011

<sup>19</sup> This includes workers participating in employment schemes.

<sup>20</sup> Respondents found it hard to pin-point the number of jobs created or maintained due to the Fund. Growth in employment since receipt of funding could have been due to general growth in the sector, for example. There is also the issue of institutional memory, where the staff filling out the questionnaire may not have been around at the time of the original Clann Credo involvement.

<sup>21</sup> It was not possible to make a meaningful distinction between Full time and Part time employees based on the survey results.

<sup>22</sup> Number of respondents filling out these questions were: jobs maintained N=17; new jobs created N=13

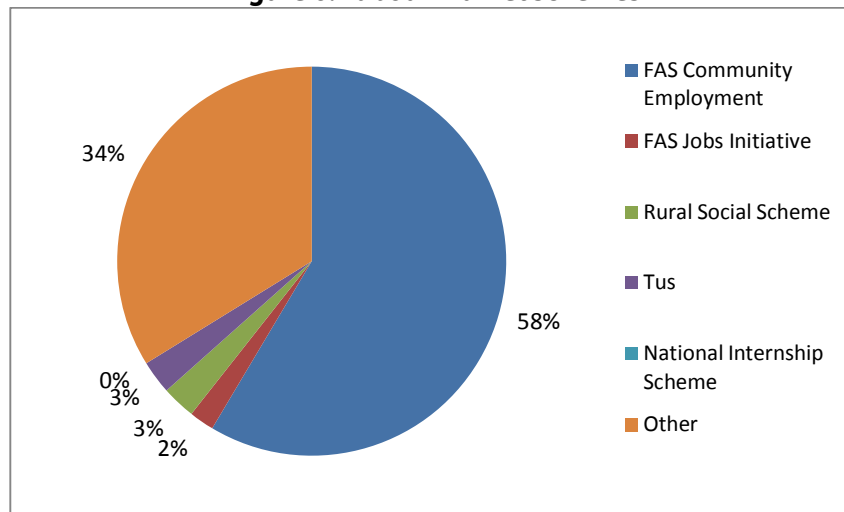


Source: DKM survey

**Clann Credo assisted SECBs and labour market schemes**

Respondents reported that 287 of their workers (19%) are on labour market schemes – primarily the FÁS Community Employment Scheme and the Community Services Programme administered by Pobal (included in the “Other” category in the chart below).

**Figure 6: Labour market schemes**



Source: DKM survey

This underlines the importance of the Clann Credo assistance for SECBs in the training and assisted employment arena. It also shows how dependent these organisations are on the continuous supply of workers from these schemes.

**3.3.4 Volunteers**

Volunteering is a critical element in the delivery of the range of services offered by the SECB sector. At a minimum, the overwhelming majority of Directors of Companies Ltd by Guarantee would act in an unpaid and voluntary capacity.

91% of organisations indicated that they rely on volunteers for some of their service provision<sup>23</sup>. A total of 943 volunteers were reported by respondents. Average hours contributed per volunteer was 7 hours a month.

As the following table shows, the majority of respondents (55%) have 10 or fewer volunteers while a further 20% have between 11 and 20 volunteers.

<sup>23</sup> The CNM survey (cited above) found that 62% of enterprises in their survey had some volunteer involvement. However, this excluded members of volunteer boards/committees.

**Table 3.7: Number of volunteers in Clann Credo assisted SECBs, 2011**

Ranges	Share of Organisations
1-10	55%
11-20	20%
21-50	18%
50+	8%
<b>Total</b>	<b>100%</b>

Source: DKM survey

**Grossing up to the current Clann Credo client base gives an estimated 3,100 volunteers donating their services to these SECBs, contributing an estimated 21,740 hours a month (or 261,000 hours a year).**

The value of this unpaid work is significant. On the basis of a simple calculation using the current minimum wage of €8.65, this would be equivalent to just over **€188,000 every month or €2.3 million over the course of a year**. However, the contribution of volunteering to society goes beyond that monetary figure. Offering a meaningful role in the community to persons has many other benefits and adds to the social capital in the community. We will return to the social impacts of Clann Credo in Section 3.3.

### 3.3.5 Impact on the stock of SECBs in Ireland

Survey respondents stated that in the present climate, where the economy has been gripped by a severe recession since 2008 and banking finance has virtually dried up, successfully obtaining a loan from Clann Credo has made a real difference to the survival chances of many SECBs involved.

As mentioned above, 5% of respondents in the DKM survey declared that they had not been in existence prior to the receipt of the funding. Grossed up to the total Clann Credo client base over the past 15 years, this would imply that Clann Credo could be credited with the **creation of 16 new SECBs over the past 15 years**.

95% of respondents stated that they had been in operation before the receipt of the loan, but many state that in the absence of this finance, they would not have survived.

- *“Without these improvements we would have lost our Centre. We would lose our sense of community and purpose.”*
- *“Clann Credo funding was used to build a modern community centre where all the community could meet and play and be proud of the facility. For the first time local groups had a place where they could meet. Many residents had no social contact with their fellow neighbours until the Centre was opened. Now there are groups for all types of activities and interests. Without the loan from Clann Credo there would be no Centre.”*

- *“The Clann Credo loan accounted for just 3% of the total funds required to fund the project but it was the 3% that made the difference between folding and staying afloat”.*
- *“The loan enabled the organisation to keep going until our financial affairs could be sorted out”.*
- *“It enabled us to develop a tourist attraction in an area that had nothing – it is now the second biggest in the region, leading to employment and development, with knock-on effects on local shops, B&B, hotels as well as local providers.”*
- *“We could not have progressed without the Clann Credo loan.”*
- *“Without Clann Credo this project would not have been delivered. I believe no other financial institution would have supported us the way Clann Credo have. They have been a pleasure to deal with both on a professional and personal level.”*

### 3.3.6 Contribution of Clann Credo assisted SECBs to Gross Value Added (GVA)<sup>24</sup>

The €47.8 million turnover created Clann Credo assisted SECBs in 2010 was spent in the local economy, leading to additional economic benefits down the line (multiplier effect). However, only the domestic components of this increased activity benefitted the Irish economy. Thus, imports have to be stripped out.<sup>25</sup>

The import content of the services sector, where most SECB companies would operate in is relatively low at 16.2%.

*The total domestic impact of the Clann Credo SECBs’ turnover is thus €47.8 million x (1-0.162) = €40 million*

This total impact consists of *direct* Value-Added<sup>26</sup>, and *indirect*<sup>27</sup> impacts. We know from the DKM survey that respondents spent an average of 57% of turnover on wages and salaries<sup>28</sup>, allowing us to calculate

*The direct impact of Clann Credo SECBs’ turnover = €47.8 million x 57% = €27.2 million.*

Deducting this from the total domestic impact calculated above, gives an implied *indirect* impact of €12.8 million.

<sup>24</sup> GVA is can be looked upon as the sum of wages (compensation of employees), profits (operating surplus) and non-product taxes less subsidies. In the case of NFP companies, all profit is assumed to be re-invested and spent in the form of wages.

<sup>25</sup> Different activities have different import intensities. For convenience, we are assuming that all of Clann Credo’s clients are operating in the medical and social services sector (NACE 85). Most service sector activities have similar import contents.

<sup>26</sup> Compensation of employees

<sup>27</sup> The wages and profits generated in Irish suppliers.

<sup>28</sup> This compares to 66.1% for NACE 85, according to the CSO’s Input-Output Tables for 2005 (the latest available).

The final round of impacts from the original expenditure arises through *induced* effects on firms’ profits and households’ employment and incomes, as both benefit from increased economic activity. This extra profit or income would be either saved or spent and is calculated as equivalent to 58% of the combined direct and indirect effects.<sup>29</sup>

The table below summarises the direct, indirect and induced effects of the annual turnover generated by Clann Credo assisted SECBs in Ireland.

**Table 3.8: Total economic impact of turnover by Clann Credo assisted SECBs, 2010**

	€'000
Turnover by assisted SECBs	47,734
Direct and indirect impact net of imports	40,013
Of which: <i>direct impact</i>	27,209
<i>indirect impact</i>	12,805
Induced impact	23,208
<b>Total impact</b>	<b>63,221</b>

Source: DKM survey, CSO Input-Output Tables

**In 2010, the economic impact of the turnover generated by Clann Credo assisted SECBs is estimated to have amounted to €63.2 million.**

This implies an economic multiplier of 1.32. This, in essence means that for every additional €1 injected into the economy by Clann Credo’s client companies, the Irish economy benefits to the tune of an additional 32 cent<sup>30</sup>.

Survey recipients estimated that 45% of their turnover was due to Clann Credo’s loan assistance. On that basis, **Clann Credo’s economic contribution to the national economy in 2010 was €28.1 million.**

### 3.3.7 Net GVA impacts

Having estimated the economic impact of Clann Credo and its client SECBs above, the next step is to take consider the additionality of these impacts. The points below illustrate the concepts and draw attention to the fact that the NET impact of the

<sup>29</sup> The savings ratio in Ireland stood at 13.8% in 2010 (as per ESRI Quarterly Economic Commentary, Spring 2011). We take the import content of consumption by households as equal to the import content of manufacturing (57.6% as per the 2005 Input-Output Tables). Thus, of the additional firms’ profit/household income, only 37% will be spent on Irish goods in the first round. The impact of a subsequent “second round” of additional firms’ profit and household income, as the benefit arising out of the original 37% will be spent again, will also be just 37% and so on. Accumulating the rounds gives a full induced figure of 58%.

<sup>30</sup> GHK (2010), Evaluation of Community Development Finance Institutions (CDFIs), a UK study, also adopted a multiplier of 1.3 (page 67).  
<http://www.bis.gov.uk/assets/biscore/enterprise/docs/10-814-evaluation-community-development-finance-institutions>

contribution of the SECBs assisted by the Fund could be somewhat smaller than the gross values calculated above would indicate. It is not possible to enumerate these effects here as there are no data available to underpin a quantitative analysis.

#### Deadweight

Judging from respondents' comments, it is not very likely that any of the projects that secured Clann Credo funding would have been able to obtain a loan in the open market. As discussed above, the other Social Lending Organisations operating in Ireland are either MFIs or, in the case of UCIT, are confining themselves mainly to Northern Ireland and the Border counties. Thus, it seems unlikely that any of the economic benefits of Clann Credo's lending could also have been obtained elsewhere.

#### Leakage

Leakage relates to the benefits that are generated outside the target area. For example, a newly extended community hall, aimed specifically at a disadvantaged target area, may also be used by neighbouring areas. Such leakage of benefits would be obviously greater at a local level than at a regional level. However, given the relatively small sums concerned here, only national impacts need to be taken into account. At the macro level, this leakage relates to spending on imports, which have already been taken into account above.

#### Displacement

Displacement is concerned with the extent to which the impacts of Clann Credo funded projects have come at the expense of other, non-funded projects, for example by taking market share from another SECB or commercial enterprise in the area. This could be significant, as many SECBs run commercial operations to fund their social mission, such as coffee shops and restaurants or crafts and souvenir outlets.

### **3.4 Social impact of Clann Credo funding**

*"For the first time local groups had a place where they could meet. Many residents had no social contact with their fellow neighbours until the Centre was opened. Now there are groups for all types of activities and interests - many of which didn't exist previously - and this has meant that people now have a chance to meet each other".*

#### **3.4.1 Social capital**

In general, the resources available to communities include physical capital (roads, public transport, technology) and human capital (investments in skills and technological knowledge). Thus, Clann Credo loans are, as described above, most frequently used by SECBs to invest in the physical capital of their business, i.e. building

work or refurbishment, while the activities conducted in many premises are helping to train persons in need of improving their human capital.

However, social capital is an additional resource available to communities. While human capital is vested in the individual, social capital is vested in the community or in groups of individuals<sup>31</sup>. It refers to the social ties, shared norms and relationships among people and communities.

Measuring the impact of social capital has proven to be a very difficult task, given that it is a complex concept. Research has shown that Social Capital has positive effects on the following<sup>32</sup>:

- Poverty and Social Exclusion
- Quality of Governance and Civic Engagement
- Personal Well-Being, Health and Life Satisfaction
- Job Search
- Economic Performance
- Standards Achieved in School/Adult Literacy
- Crime and Social Deviance

It is beyond the scope of the present study to expand on these headings. Suffice to say that current economic difficulties have put increasing strain on the social fabric of Irish communities. The vital importance of fostering and advancing social capital is often overlooked when solutions to the economic crisis are put forward.

Clann Credo has invested heavily in the social capital of Irish communities. While it is not possible to quantify all its impacts here, the number of users of facilities supported by the Fund is highlighted below and the number of additional volunteers created by SECBs in receipt of Clann Credo funding is enumerated. In addition, a selection of survey responses gives a flavour of the breath of the social impact the Fund has had over its 15 year existence.

### **3.4.2 Users of facilities**

One measure of the social impact associated with financial assistance to SECBs is the number of persons using the supported facilities. The DKM/Clann Credo survey respondents report a monthly user number of 27,000. This figure spans a wide spectrum from persons receiving one-to-one training to users of sports facilities.

---

<sup>31</sup> NESF (2003), The Policy Implications of Social Capital

<sup>32</sup> DKM (2004), Volunteers and Volunteering in Ireland

[http://www.dkm.ie/uploads/pdf/reports/volunteering\\_ireland.pdf](http://www.dkm.ie/uploads/pdf/reports/volunteering_ireland.pdf)

Grossing up to all of Clann Credo’s current clients gives a **monthly average of 88,000 users or an annual estimate of 1.1 million persons using facilities supported by Clann Credo loans.**

### 3.4.3 Volunteers

Volunteering is one of the cornerstones of social capital and a civil society. Respondents stated that the number of new volunteers engaged due to Clann Credo involvement was equivalent to 26% of their current volunteer stock. Applying this percentage to the total number of volunteers engaged with the Fund’s clients, yields an estimated **806 new volunteers** who are active as a direct result of Clann Credo involvement with its client SECBs.

**Table 3.9: Clann Credo impact on volunteering**

Total volunteers in Clann Credo supported companies	3,100
New volunteers (26%)	806

The value of volunteering goes beyond the mere value of the time they contribute. Empirical studies have shown a positive statistical relationship between volunteering and life satisfaction<sup>33</sup>.

### 3.4.4 Clann Credo clients’ responses

The respondents to the DKM survey of Clann Credo clients highlighted the range of social benefits that have been achieved as a result of Clann Credo support.

The following Box provides a selection of some of these responses. A recurring theme was how grateful and appreciative the Fund’s clients are for the support that they have received from Clann Credo and what a difference this has made not only to their individual project or scheme but to the wider community in which they operate.

<sup>33</sup> Meier S. and Stutzer A. (2004), Is Volunteering Rewarding in Itself? Working Paper No. 180, Institute for Empirical Research in Economics, University of Zurich.

### **Box 2: Social benefit arising from Clann Credo loans**

- *“The Community Centre is the focal point of a small rural population who have seen the loss of their local shop, pub and post-office in recent years. The loan from Clann Credo was essential to finish a project when the bank was not willing to loan money.”*
- *“It has enabled us to considerably increase our capacity to provide services to more and more people who need this kind of specialised support; they have peace of mind to know that that they can ring us and access the service 7 days a week.”*
- *“The Centre has given senior citizens and young people a place to meet.”*
- *“Parents of 150 children benefit by having access to childcare to attend training or to work. The local community has benefited from the creation of local jobs and the local community can respond to local needs.”*
- *“We can now provide a safe place for the youth to use within a town which offered nothing for that age-group. It has brought the community together, including teenagers from different schools, nationalities, ethnic backgrounds. It has improved the lives of these young people and taken them from hanging around the streets with nothing to do.”*
- *“It has allowed former residents of institutions to live in community homes and improve quality of life of people with disabilities.”*
- *“The project has created employment and local service in a marginalised community.”*
- *“Without these improvements we would have lost our Centre. We would lose our sense of community and purpose.”*
- *“It has provided permanent premises to carry out the vital counselling services to the community. As a result, the lives of our clients have greatly improved as we can offer services to those of the most marginalised in the community.”*
- *“A community facility for the parish - a place to have a cup of tea after a funeral, for educational courses, social occasions and meetings and get-togethers of all kinds.”*
- *“The construction of a sheltered housing scheme will provide additional accommodation and related social services and care packages to the most vulnerable people in the community.”*
- *“It has allowed us to proceed with our project of extending our premises to enable us to provide extra services and facilities to our members. In particular it enabled us to open a Day Care Centre for our aging population.”*



## **Section 4 The Social Enterprise and Community Business sector in Ireland**

The report so far has concentrated on Clann Credo's clients. This Section presents a brief description of the wider SECB sector in Ireland, utilising a new, comprehensive data base compiled specifically for this study. Based on the Annual Reports filed with the Company Registration Office, the data allow the derivation of a reliable estimate of the economic contribution of the sector.

### **4.1 Background**

#### **4.1.1 Potential of SECB sector**

Given the current economic and employment situation, it is vitally important that the potential of the sector to contribute to job creation – throughout the country – is fully recognised and supported. The experience in other countries is encouraging.

- There are some 62,000 social enterprises in the UK, contributing over £24bn to the economy and employing approximately 800,000 people<sup>34</sup>.
- Europe-wide, social economy enterprises represent 2 million enterprises<sup>35</sup> (i.e. 10% of all European businesses) and employ over 11 million paid employees (the equivalent of 6% of the working population of the EU): out of these, 70% are employed in non-profit associations, 26% in cooperatives and 3% in mutuals. It is important to note that these statistics include large co-operatives, building societies etc and are thus not strictly comparable with the SECBs that this study is concentrating on.

The 2010 report of the Social Enterprise Task Force *Adding Value, Delivering Change*<sup>36</sup> highlighted the fact that the growth of the SECB sector in Ireland is hindered by a number of factors: a lack of policy focus and direction at national level; over-reliance on grant aid and limited access to other sources of finance; limited support structure and problems accessing the supports that are available to SMEs.

---

<sup>34</sup> <http://www.socialenterprise.org.uk/pages/about-social-enterprise.html>

<sup>35</sup> <http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/>

<sup>36</sup> <http://www.socialenterprise.ie/gfx/uploads/textbox/Social%20Enterprise%20Task%20Force%20Report.pdf>

Increasingly, Clann Credo has adopted an advocacy role for the SECB sector in Ireland. This has been recognised in the DKM survey responses, for example:

*“Clann Credo have expanded to being a voice for social enterprise - through the connection with them, we get to go to conferences etc, so [yielding] significant networking benefits.”*

#### 4.1.2 Lack of data on SECB sector in Ireland

Researchers agree that there is a dearth of information on the Third Sector. This also applies to the narrower SECB sector which is the focus of this study, starting with something as fundamental as the total number of companies falling into this segment of the economy. There is no definitive listing, and different definitions have made it difficult to draw meaningful comparisons and overarching conclusions from various existing studies.

A series of studies have attempted to assess the size and economic contribution of different segments of the voluntary sector in Ireland.

- A 2006 study by the Centre for Non Profit Management (CNM), surveyed over 3,000 companies. This was grossed up to a total estimated population of over 22,000 companies which were deemed to fall within the not-for-profit (NFP) sector<sup>37</sup>. The report then calculated that the Irish NFP sector accounts for approximately 3% of GDP.
- More recently, the CNM surveyed over 3,700 companies in the “social entrepreneurial” sector in Ireland.<sup>38</sup>

#### 4.1.3 New listing of SECBs

Clann Credo commissioned a new, comprehensive listing of SECB companies in Ireland, which utilises the latest information contained in the Annual Returns filed with the Company Registration Office (CRO). For more detail on the methodology please consult the Appendix.

An iterative process of refining the listing ultimately resulted in a directory of **1,420 SECBs in operation in 2009**. We are confident that this is the most up-to-date and comprehensive listing of the sector in Ireland available to date.

The following section focuses on these 1,420 companies and gives a first description of the sector. More analysis will need to be undertaken on the information contained in

<sup>37</sup> Donoghue F, et al (2006), The Hidden Landscape First Forays into Mapping Nonprofit Organisations in Ireland

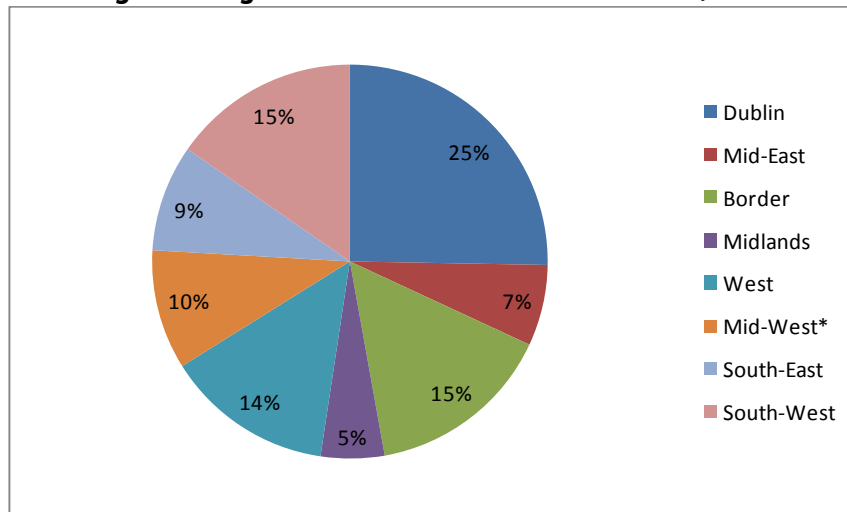
<sup>38</sup> Prizeman G, et al (2011), Mapping Social Entrepreneurship in Ireland

the database, but is beyond the scope of this study at this time. A county by county breakdown of the key statistics (financial information and employment) is given in the Appendix.

## 4.2 Regional distribution

The 1,420 companies in the Irish SECB sector appear to be evenly distributed across the eight planning regions, with Dublin accounting for one quarter of companies, followed by the Border and South-West regions.

**Figure 7: Regional distribution of SECB in Ireland, 2009**



Source: Irish Nonprofits Database \* Contains all of Tipperary<sup>39</sup>

A break down of the Irish SECB sector into counties is contained in the Appendix. It shows that:

- Leitrim has the highest concentration of 7.6 SECBs per 10,000 of population, followed by Sligo (5.7) and Mayo (5.6).
- The national average is 3.1 SECBs per 10,000 of population.

<sup>39</sup> The composition of NUTS3 Regions is given in the Appendix.

### 4.3 Financial information

#### 4.3.1 Total incoming resources/turnover

The significance of the sector is underlined by the magnitude of the total incoming resources<sup>40</sup> available to the SECB in Ireland. In 2009<sup>41</sup>, this amounted to **€1.4bn** for the 1,420 companies in this sector. This was equivalent to **0.9% of GDP** at market prices in 2009.

Average turnover per company is calculated as just over €1 million<sup>42</sup>. Total income for companies in the Irish SECB sector varies widely: from one company with over €200 million to 482 companies with total incoming resources of less than €100,000<sup>43</sup> as the following table shows.

- The top 40 companies accounted for 58% of total income.
- At the other end of the spectrum, 60% of companies between them generated only 6% of total income for the sector.

**Table 4.1: Distribution of average turnover of Irish SECBs, 2009**

€	Number	% SECB	% income
>200m	1	0%	14%
50m-199m	4	0%	16%
20m-49m	4	0%	8%
10m-19m	9	1%	9%
5m-9m	22	2%	10%
1m-4m	154	11%	22%
<1m and > 500k	172	12%	8%
< 500 and >300k	202	14%	5%
<300 and >100k	370	26%	5%
<100 k	482	34%	1%
<b>Total</b>	<b>1,420</b>	<b>100%</b>	<b>100%</b>

Source: Irish Nonprofits Database

<sup>40</sup> Total Income, including Income from Generated Funds, Charitable Activities, Other Incoming Resources and Any Uncategorised Income

<sup>41</sup> The latest available date for the majority of companies: 91% of Annual Returns were filed in 2009.

<sup>42</sup> This compares to mean expenditure of just over €100,000 for the NFP companies covered in the Hidden Landscape study cited above.

<sup>43</sup> 18 companies did not register any income in their latest Annual Report.

A regional breakdown reveals that Dublin’s SECBs are most significant in terms of their contribution to regional economic activity.

**Table 4.2: Regional breakdown of total incoming resources of Irish SECB, 2009**

Region	Total incoming resources € million	Total turnover as % of regional GDP
Dublin	764.542	1.2%
West	108.397	1.0%
Mid West	104.094	0.9%
South West	204.022	0.7%
South East	74.348	0.6%
Midland	35.514	0.6%
Border	66.017	0.5%
Mid East	74.013	0.5%
<b>Total</b>	<b>1,430.947</b>	<b>0.9%</b>

Source: Irish Nonprofits Database, CSO (Sept 2011), Quarterly National Accounts, CSO (Feb 2011), County Incomes and Regional GDP 2008<sup>44</sup>

- SECBs in the Dublin region recorded a total turnover of close to €765 million, accounting for 1.2% of the region’s GDP in 2009.
- The SECBs in the West region accounted for 1% of their region’s GDP.
- The contributions of the SECBs in the Border and Mid East regions were least significant in terms of regional GDP.

The Appendix gives total incoming resources for SECBs by county.

#### 4.3.2 Total traded income <sup>45</sup>

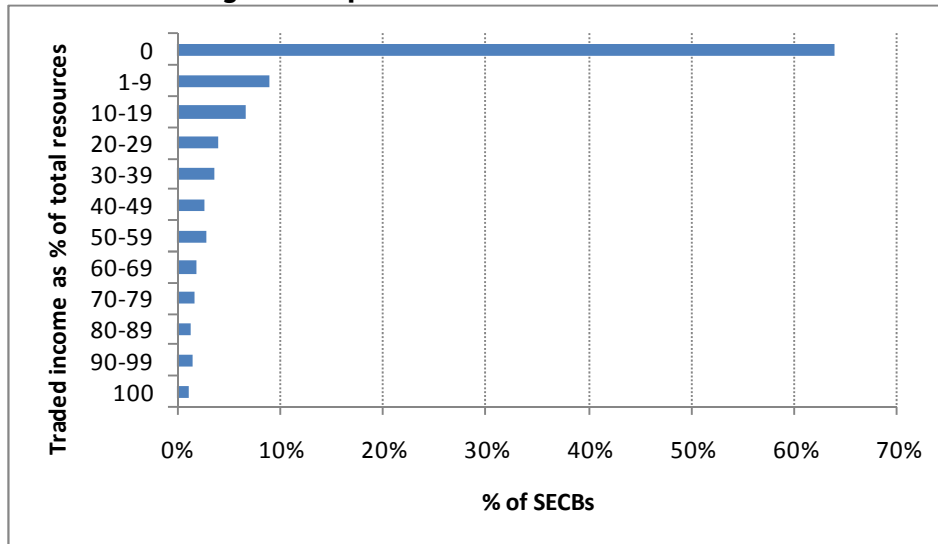
The dependence of the sector on grant assistance was explored above. This is confirmed by the data set now available which shows that some SECBs have little or no traded income.

Some 63% of companies did not have any traded income in 2009. The remaining SECBs together had a **total traded income of €243.5 million, equivalent to 17% of their total income**. This compares to 38% for Clann Credo client companies, as reported to the DKM survey (see Section 3.1)

<sup>44</sup> 2009 figures were estimated by assuming that the national reduction in GDP applied equally across all regions.

<sup>45</sup> Fees & Income from Trading Activities and Other Activities, (other activities being casual income received whilst the organisation is carrying out its charitable activities).

**Figure 8: Importance of traded income, 2009**



Source: Irish Nonprofits Database

#### 4.3.3 Loan/overdraft<sup>46</sup>

According to the data extracted from the CRO, Irish SECBs had loan/overdraft liabilities of €25.6 million in 2009.

Only 413 companies (29%) had a loan/overdraft, which reflects the dearth of financing options available to the sector. However, many companies may also have Articles of Association specifically prohibiting borrowing.

**The average loan/overdraft among those SECBs with one was €61,900. This is equivalent to about half of the average loan of €113,000 that Clann Credo client companies have taken on.**

#### 4.4 Employment

**The Irish SECB sector is a major employer and in 2009 provided 24,794 full time jobs and 449 part time jobs<sup>47</sup>.**

The next table puts this into the context of the total Irish labour market at the time. For example, the reported SECB employment is equivalent to 11% of the total human health and social work activities.

<sup>46</sup> Loans and overdrafts from a financial institution

<sup>47</sup> The number of part time positions seems low, but it could well be that companies filed Full Time Equivalent jobs, as most returns appear to have left the Part time entry blank.

**Table 4.3: SECB employment in the context of total Irish employment by sector, 2009**

Q4 2009	'000
Agriculture, forestry and fishing	89.8
Industry	246.7
Construction	135.9
Wholesale and retail trade; repair of motor vehicles and motorcycles	266.4
Transportation and storage	93.3
Accommodation and food service activities	122.6
Information and communication	73.7
Financial, insurance and real estate activities	106.6
Professional, scientific and technical activities	103.2
Administrative and support service activities	63.2
Public administration and defence; compulsory social security	107.4
Education	144.9
Human health and social work activities	233.3
Other NACE activities	101.7
<b>All persons in employment :</b>	<b>1,890.2</b>
<b>All persons in SECB sector</b>	<b>25.2</b>

Source: CSO, QNHS

SECB companies are very labour intensive, with payroll accounting for 64% of total expenditure. The next table summarises:

**Table 4.4: SECB payroll expenditure, 2009**

Q4 2009	€ million
Total Payroll	845.4
<i>Of which Wages &amp; Salaries</i>	754.1
<i>Social Security, PAYE &amp; PRSI</i>	59.7

The average gross salary per employee implied by the figures in the two tables is thus €32,237, which is equivalent to 86% of average earnings across the economy in 2009<sup>48</sup>.

**Close to €60 million were paid to the Exchequer in the form of social security (PAYE, PRSI) by companies in the sector in 2009.**

<sup>48</sup> Average annual income across the economy €37,322 (Q4 2009)

<http://cso.ie/releasespublications/documents/earnings/current/earnlabcosts.pdf>

#### 4.5 Economic impact of SECBs in Ireland

With an annual turnover of **€1.4bn** in 2009, the SECB sector makes a significant economic contribution to the local communities, where its activities are centred, but also to the Irish economy at large. Below, this impact is calculated, following the same methodology as employed in Section 3.3.6 above.

- The import content of the sector that most SECB companies would operate in is 16.2%.
- *The total domestic impact of the additional turnover is thus €1.4 billion x (1-0.162) = €1.2 billion*
- SECB companies spent €845 million on payroll (as shown above), which constitutes the *direct* effect.
- Deducting this from the total domestic impact calculated above, gives an implied *indirect* impact of €357 million.
- *Induced* effects are calculated as 58% of the combined direct and indirect expenditures.

The table below summarises the direct, indirect and induced impacts of the SECB sector in Ireland in 2009.

**Table 4.5: Total economic impact of SECB sector, 2009**

	€ million
Total expenditure	1,434
Direct and indirect impact net of imports	1,202
Of which: <i>direct impact</i>	845
<i>indirect impact</i>	357
Induced impact	697
<b>Total impact</b>	<b>1,900</b>

**For 2009, the total economic impact of the SECB sector in Ireland is thus estimated to have amounted to €1.9 billion, which is equivalent to 1.2% of that year’s GDP.**



## Appendix 1      Data on Irish SECB sector

### Data source

For the purposes of this study, a new data source has been utilised:

The Irish Nonprofits Database has been created by Irish Nonprofits Knowledge Exchange (INKEEx), a nonprofit company established in 2009 to build a knowledge infrastructure for the nonprofit sector and its stakeholders. Data are derived from the regulatory filings of more than 8,000 companies limited by guarantee. INKEEx digitises these and publishes extracts on its searchable website [www.irishnonprofits.ie](http://www.irishnonprofits.ie), which is scheduled for public launch at the end of 2011.

Clann Credo commissioned INKEEx to perform a data analysis of the Irish Nonprofits Database that was focused specifically on the SECB sector. This was ensured by selecting companies that:

- Were Limited by Guarantee and
- Were registered as a charity

The final list excludes overseas charities, hospitals, hospices, churches, schools, banks, and national bodies and interest groups. It was checked line by line to make sure that it was as comprehensive as possible and captured the SECB sector only. Some additional lists were incorporated, containing companies in receipt of Pobal grants, community associations registered with Muintir na Tire and a list of Clann Credo clients. These lists were checked for company registration details and amalgamated with the master list.

After a number of iterations, this resulted in a listing of 1,420 SECBs in Ireland. We believe this is the most up to date and comprehensive listing of the sector in existence at this time.

**As it is based on regulatory data, the resulting information is deemed to be much more reliable than survey data, which has been all that was available on the Irish non-profit sector to date.**

### Limitations

The vast majority of returns (91%) were filed in 2009, 5% date from 2010 and the remaining 4% are older than 2009. In addition, it is important to bear in mind that the financial year does not coincide with the calendar year for many returns.

The information obtained includes regional distribution, financial information and number of employees. It does not allow a sectoral breakdown<sup>49</sup>.

---

<sup>49</sup> Not required as part of the CRO returns. Legal object clauses are frequently too general to allow the allocation to a specific sector.

## Appendix 2: Regional analysis of Clann Credo SDI

**Table A1: Clann Credo SDI by county and supported activity**

County	Activity	Amount dispersed
<b>Cavan</b>	Sports	€160,000
<b>Clare</b>	Childcare	€153,949
	Community Facilities	€455,000
	Disability	€75,000
	NFP Business	€10,000
	Social Housing	€355,000
<b>Total</b>		<b>€1,048,949</b>
<b>Cork</b>	Arts & Tourism	€160,000
	Community Facilities	€560,060
	FRC / CDP's*	€125,000
	Youth	€30,000
	Other	€750,000
<b>Total</b>		<b>€1,625,060</b>
<b>Donegal</b>	Arts & Tourism	€422,000
	Childcare	€250,000
	Community Facilities	€330,000
	Disability	€685,000
	Other	€85,000
<b>Total</b>		<b>€1,772,000</b>
<b>Dublin</b>	Addiction / Counselling	€420,000
	Arts & Tourism	€105,000
	Community Facilities	€850,000
	Disability	€70,000
	Enterprise Centre	€151,500
	FRC / CDP's*	€315,000
	NFP Business	€366,411
	Other	€643,244
	Social Housing	€170,000
	Sports	€500,000
	Youth	€470,000
<b>Total</b>		<b>€4,061,155</b>
<b>Galway</b>	Childcare	€350,000
	Community Facilities	€40,000
	Other	€63,487
	Sports	€85,000
<b>Total</b>		<b>€538,487</b>
<b>Kerry</b>	Arts & Tourism	€111,300
	Childcare	€25,000
	Community Facilities	€500,300

County	Activity	Amount dispersed
	FRC / CDP's*	€124,425
	Other	€100,000
<b>Total</b>		<b>€861,025</b>
<b>Kildare</b>	Arts & Tourism	€20,000
<b>Laois</b>	Community Facilities	€140,000
	Enterprise Centre	€250,000
	Other	€160,000
	Sports	€20,000
<b>Total</b>		<b>€570,000</b>
<b>Leitrim</b>	Community Facilities	€300,000
	Sports	€290,000
<b>Total</b>		<b>€590,000</b>
<b>Limerick</b>	Enterprise Centre	€820,000
	Sports	€71,004
<b>Total</b>		<b>€891,004</b>
<b>Longford</b>	Community Facilities	<b>€227,000</b>
<b>Mayo</b>	Arts & Tourism	€75,000
	Childcare	€330,000
	Community Facilities	€86,857
	Enterprise Centre	€1,211,919
	FRC / CDP's*	€150,000
	Social Housing	€602,400
	Sports	€120,000
	Other	€63,487
<b>Total</b>		<b>€2,639,663</b>
<b>Meath</b>	Addiction / Counselling	<b>€500,000</b>
<b>Monaghan</b>	Community Facilities	<b>€100,000</b>
<b>Offaly</b>	Childcare	€30,000
	Disability	€50,000
<b>Total</b>		<b>€80,000</b>
<b>Roscommon</b>	Arts & Tourism	€151,000
	Community Facilities	€57,203
	NFP Business	€295,000
	Social Housing	€120,000
<b>Total</b>		<b>€623,203</b>
<b>Sligo</b>	Childcare	€140,000
	Community Facilities	€55,000
	Enterprise Centre	€80,000
	FRC / CDP's*	€35,000
	Youth	€25,000
<b>Total</b>		<b>€335,000</b>
<b>Tipperary</b>	Childcare	€280,000

County	Activity	Amount dispersed
	Community Facilities	€35,650
	Enterprise Centre	€230,000
	FRC / CDP's*	€90,000
	Sports	€150,000
<b>Total</b>		<b>€785,650</b>
<b>Waterford</b>	Arts & Tourism	€256,880
	Community Facilities	€80,000
	Other	€50,000
	Sports	€90,000
<b>Total</b>		<b>€476,880</b>
<b>Westmeath</b>	Childcare	<b>€200,000</b>
<b>Wexford</b>	Arts & Tourism	€188,764
	Community Facilities	€128,440
	FRC / CDP's*	€35,000
<b>Total</b>		<b>€352,204</b>
<b>Wicklow</b>	Addiction / Counselling	€40,000
	Disability	€126,974
<b>Total</b>		<b>€166,974</b>
<b>Other</b>	Micro Finance	<b>€1,164,706</b>
<b>Total amounts disbursed</b>		<b>€19,788,960</b>

Source: Clann Credo

\*FRC Family Resource Centre, CDP Community Development Project

**Table A2: Regional density of total Irish SECB sector**

County	Number of SECB 2010	SECB per 10,000 of population <sup>50</sup>
Leitrim	24	7.6
Sligo	37	5.7
Mayo	73	5.6
Cavan	35	4.8
Donegal	73	4.5
Monaghan	27	4.5
Kerry	64	4.4
Roscommon	27	4.2
Galway	95	3.8
Waterford	42	3.7
Carlow	19	3.5
Kilkenny	33	3.5
Tipperary	51	3.2
Clare	37	3.2
Longford	12	3.1
Offaly	23	3.0
Cork	154	3.0
Wicklow	39	2.9
Dublin	359	2.8
Westmeath	23	2.7
Limerick	51	2.7
Wexford	30	2.1
Laois	16	2.0
Kildare	36	1.7
Louth	21	1.7
Meath	19	1.0
<b>State</b>	<b>1,420</b>	<b>3.1</b>

Source: Irish Nonprofit Database

<sup>50</sup> Preliminary Results Census 2011

**Table A3: Total Irish SECBs - by county and region**

County/Region	No.	Turnover €million	Traded Income €million	Loan Overdraft €million	Total Payroll €million	Full Time Employees
<b>Dublin</b>	<b>360</b>	<b>764.54</b>	<b>175.74</b>	<b>4.76</b>	<b>432.95</b>	<b>12,195</b>
Kildare	36	28.15	2.70	0.06	16.03	506
Meath	19	5.80	0.21	2.17	2.21	95
Wicklow	39	40.07	3.94	1.22	25.97	571
<b>Mid East</b>	<b>94</b>	<b>74.01</b>	<b>6.85</b>	<b>3.45</b>	<b>44.21</b>	<b>1,172</b>
Louth	21	11.08	0.31	0.22	6.76	264
Monaghan	27	8.18	1.49	0.24	6.23	138
Cavan	35	6.96	0.76	0.22	3.22	114
Leitrim	24	8.57	0.52	0.15	4.86	278
Donegal	72	18.25	1.32	1.06	10.40	488
Sligo	37	12.99	1.75	0.31	6.69	291
<b>Border</b>	<b>216</b>	<b>66.02</b>	<b>6.16</b>	<b>2.19</b>	<b>38.16</b>	<b>1,573</b>
Longford	12	5.11	0.36	0.00	2.82	127
Westmeath	23	10.81	0.61	0.15	6.28	323
Laois	16	6.32	1.77	1.16	3.25	179
Offaly	23	13.28	3.15	0.14	6.04	307
<b>Midland</b>	<b>74</b>	<b>35.51</b>	<b>5.89</b>	<b>1.45</b>	<b>18.39</b>	<b>936</b>
Mayo	73	52.96	3.25	2.10	40.06	1,124
Roscommon	27	7.32	0.38	0.17	4.58	185
Galway	95	48.12	2.21	0.35	37.28	746
<b>West</b>	<b>195</b>	<b>108.40</b>	<b>5.84</b>	<b>2.62</b>	<b>81.92</b>	<b>2,055</b>
Clare	37	21.71	0.94	0.12	13.51	238
Limerick	51	46.34	15.08	3.57	19.56	669
Tipperary	51	36.04	9.35	0.78	18.29	555
<b>Mid West</b>	<b>139</b>	<b>104.09</b>	<b>25.38</b>	<b>4.47</b>	<b>51.37</b>	<b>14,62</b>
Wexford	30	6.93	0.50	0.61	3.98	197
Carlow	19	10.09	0.52	0.11	7.20	309
Kilkenny	33	17.69	0.69	0.26	12.17	397
Waterford	42	39.63	4.55	1.83	25.51	727
<b>South East</b>	<b>124</b>	<b>74.35</b>	<b>6.27</b>	<b>2.82</b>	<b>48.85</b>	<b>1,630</b>
Cork	154	159.93	8.46	1.59	98.79	2,680
Kerry	64	44.09	2.91	2.23	28.49	990
<b>South West</b>	<b>218</b>	<b>204.02</b>	<b>11.37</b>	<b>3.81</b>	<b>127.27</b>	<b>3,670</b>
<b>Total</b>	<b>1,420</b>	<b>1,430.95</b>	<b>243.50</b>	<b>25.57</b>	<b>843.12</b>	<b>2,4693</b>

Source: Irish Nonprofit Database