

SOCIAL ENTERPRISES

FREQUENTLY ASKED QUESTIONS

1. What are social enterprises?

Social enterprises are businesses which fulfill social causes. They use business principles and methods to achieve social change. Social enterprises are not charities, but are revenue-generating businesses.

2. Are there different types of social enterprises?

There are generally 4 types of social enterprises, although most social enterprises typically employ a combination of these models:

- (i) Work integration model: The Work Integration Social Enterprises (WISEs) provide skills training and/or employment opportunities to the needy disadvantaged (i.e. those who have higher than usual barriers to employment, such as ex-offenders) as a means to reintegrate them into society and encourage them to be self-reliant. They give an opportunity to people who may not find employment in the open market.

- (ii) Plough-back-profit model: The objective of these social enterprises is to generate profit to fund the social programmes of their affiliated or parent charities. This helps VWOs or charities reduce their reliance on donations and enhance their financial sustainability.

- (iii) Subsidised services model: These social enterprises provide subsidised services to needy and/or disadvantaged clients, and charge commercial rates to mainstream customers. This ensures that the people who could not usually afford certain services have access to such services to improve their quality of life.

- (iv) Social needs model: These social enterprises are designed to serve society's social needs or address certain social issues. These issues can include community bonding, family bonding and racial harmony.

3. How many social enterprises are there in Singapore?

A scan of the social enterprise sector done by MCYS in early 2010 showed that there are about 83 social enterprises in Singapore that are still in operations,

including both CEF-funded and non CEF-funded social enterprises known to MCYS and the Social Enterprise Association. In addition, there are 86 co-operatives currently registered with the Registry of Co-operatives.

4. Are all social enterprises registered or supported by MCYS?

MCYS provides seed-funding for social enterprises through the ComCare Enterprise Fund (CEF) and facilitates partnerships between organisations to develop the social enterprise sector.

However, not all social enterprises would seek MCYS' support. There are many social enterprise initiatives being driven and supported by other community organisations.

MCYS monitors the progress of the CEF-funded social enterprises, but there is no requirement for social enterprises to register with MCYS.

5. Are all social enterprises in Singapore funded by the ComCare Enterprise Fund (CEF)?

No, not all social enterprises are funded by the CEF.

Social enterprise refers to any type of business with a social mission. It can be a large organisation or a small business, and can embrace different social missions, including social services, the arts, heritage, education, health, and the environment.

The CEF, with an annual budget of \$3 million, is just one vehicle of support for social enterprises in Singapore. The CEF Evaluation Panel comprises representatives from the public, private and social sectors and makes the final decision on all CEF applications. So far, more than \$9.4 million worth of projects have been approved for CEF and SEF applications since 2003. There are other social enterprises which focus on other social missions besides the ComCare mission of helping needy disadvantaged Singaporeans move towards self-reliance. Some social enterprises also choose not to apply for funding.

6. Why have some of the social enterprises closed down?

Like any business, a social enterprise has to adapt to changing market conditions and manage its operations effectively, or it will not survive. The decision to shut down

rests with the management of each individual social enterprise.

7. What other sources of funding are available for social enterprises which do not qualify for the ComCare Enterprise Fund (CEF)?

There are other sources of funding for social enterprises which do not qualify for CEF. These include a range of schemes and programmes by government and community agencies as shown below:

- **SPRING Singapore** offers a range of financing programmes for start-ups and SMES such as the Micro Loan Programme, Start-up Enterprise Development Scheme (SEEDS), Business Angels Scheme and the Young Entrepreneurs Scheme for Startups (YES! Startups).

- **National Youth Council** promotes social entrepreneurial initiatives among youths through the Young Changemaker's Fund and the Young Social Entrepreneur Incubator Scheme.

- **Young Men's Christian Association (YMCA) – Citibank Youth for Causes** provides seed funding for social entrepreneurial projects among youths.

- **Central Singapore Community Development Council (CDC) Mayor's Imagine Fund** promotes active citizenry among residents by encouraging the setting up of social enterprises and implementation of projects to benefit the less privileged in the community.

8. Why can't the owners and shareholders of the social enterprise take profits out if the business is doing well?

Under the CEF, the owners and shareholders of the social enterprise are required to plough all profit from the operations back into the enterprise. The CEF currently has guidelines on profit-taking because it wants to:

- i) Encourage sustainability of the enterprise and the opportunities for the employees,
- ii) Encourage commitment on the part of the owners and shareholders of the social enterprise, and
- iii) Ensure that the CEF funds are not misused.

The surplus should go towards building the reserves of the social enterprise, building organisational capabilities, or expanding operations and providing increased opportunities for the needy disadvantaged employees.

However, the Social Enterprise Committee recognises that to encourage more established business people and professionals to invest and develop social enterprises, there must be some return on investment in the longer term and has recommended that social enterprise owners and shareholders be allowed to take profit after a specified time-period. With effect from 1 April 2008, owners and shareholders of a CEF-funded social enterprise are able to withdraw profits from the social enterprise, after the 5-year contract with MCYS has expired. Within the 5-year period, any surplus made by the social enterprise should go toward building the reserves of the social enterprise, building organisational capabilities, or expanding operations and providing more opportunities for the needy disadvantaged employees.

(Please see Frequently Asked Questions on the CEF for the guidelines on profit-taking for a CEF-funded social enterprise).

9. Why does MCYS favour work integration social enterprises? Why doesn't it support other kinds of social enterprises, such as those that provide subsidised services, or which support the arts or environment?

MCYS' work is focused on helping the needy and disadvantaged achieve self-reliance through work. Needy disadvantaged individuals should be given the opportunity and the dignity to earn their own income and improve their situations, instead of depending solely on social and financial assistance.

MCYS wants to encourage Work Integration Social Enterprises which provide training and employment opportunities to the needy disadvantaged to help them improve their skills and employability. The focus is on individuals who have greater than usual difficulties finding employment in the open market, including ex-offenders, people recovering from psychiatric conditions, older, less-educated workers from multi-problem families, and low-income, at-risk women.

In line with the philosophy of Many Helping Hands, MCYS would like to see the private and people sectors come

forward to drive the other types of social enterprises, for example, through investment and volunteering.

10. I have recently set up a social enterprise, but my revenue is not able to cover costs. Am I allowed to get funding from other sources?

Social enterprises, as revenue-generating entities have the responsibility to ensure that they are financially sustainable in the long-term. To ensure sufficient funding to cover start-up and operating costs, social enterprises should explore different funding options appropriate to their stage of business development. These can include earned-income, government start-up grants and private investments.

Financial support from the government should be specific and short-term, designed to catalyse and enable the start-up of the business, but it should not be the main source of continuous funding for social enterprises.

To be sustainable in the long term, the social enterprise must have a good business model to provide their customers with value for money products and services.