Social Platform position on the Communication on

a Social Business Initiative

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Introduction

Social Platform is the largest civil society alliance fighting for social justice and participatory democracy in Europe. Consisting of 45 pan-European networks of NGOs, Social Platform campaigns to ensure that EU policies are developed in partnership with the people they affect, respecting fundamental rights, promoting solidarity and improving lives.

The Social Services of General Interest (SSGI) provided by our members are non profit making and function in the social sphere; some of the services are considered as economic and some of them function in the context of the social economy. For example many of our members work for the social inclusion and integration into the labour market of people who face discrimination or are at risk of social exclusion. For this reason Social Platform members are directly interested in the Commission's work on social business and in some other relevant proposals of the Single Market Act.

We advocate for a social cohesion policy to accompany the single market to achieve a "social market economy" (art. 3.3 TEU) and we consider that public services and social economy play an essential role to achieve this goal.

General remarks

We generally welcome the Communication on a Social Business Initiative, as we think that, if properly implemented, it can give a great impulse to the development and consolidation of social economy and social entrepreneurship across the EU.

At present the concepts, definitions and designations of "social business" and "social enterprise" are unstable and even contradictory, including at national level. Therefore, we suggest that European decisions rely on the way they work and function rather than their statues, legal forms and designations.

We recommend that the actions foreseen in the Communication include measures to support the well-established social economy players across Europe, as social economy and social entrepreneurship have been developed in the EU - at least in many member states - and beyond since decades. We consider that the involvement of the main representatives of social economy organisations, including organisations representing users, is an essential element for the success of this initiative. All the actions foreseen in the Communication should be based on a preliminary collection of good practices existing in the member states.

We consider that among the main characteristics which are common to social economy and social entrepreneurship it is important to highlight the defence and implementation of the principles of solidarity and social justice, which could have been stressed more in the Communication.

We welcome that the Communication acknowledges that social economy employs over 11 million people in the EU, accounting for 6% of total employment. Nevertheless we consider that efforts need to be made to ensure that quality employment and decent working conditions are ensured in this sector, in particular in the sheltered workshops, as well as in the general economy.

We consider that social economy and social entrepreneurship play a significant role in the achievement of the objectives of the Europe 2020 strategy, in particular those of an inclusive and sustainable growth, as well as the reduction of the poverty targets. Therefore, we think that the link between the Social Business Initiative and the Europe 2020 strategy could have been better stressed in the Communication, also with the European Platform Against Poverty. An effective coordination with the work that the Commission is undertaking in relation to social innovation, as well as on the new EU funds and the revision of public procurement and state aid rules is also very important.

One proposal to be explored should be the integration of strategies to support social enterprises in the National Reform Programs. The implementation of the Social Business Initiative at national and regional / local level is essential for the success of the strategy foreseen in the Communication and the strengthening of the sector, as it is traditionally rooted in local and regional contexts.

Remarks and recommendations on the action plan proposed to support social entrepreneurship in Europe

1) Improving access to funding

1.a Facilitating access to private funding

- Facilitating the access to credit for social enterprises, by better developing the existing tools and eventually creating new ones, is crucial in order to strengthen the sector.
- Financing can be necessary throughout the whole life cycle and should ease social investments both in the short and in the long term. The participation of private investors to European and national lending mechanisms must be accompanied by the guarantee that the control of social enterprises rests in the hands of social enterprises themselves. However, private funding does not have to replace public money to support social economy and social entrepreneurship.
- We support the idea of creating European lending mechanisms, which would help attract private investors. This can be achieved by the means of setting up a European Investment Fund – better if it is sectorialised. Due to the existing diversity of concepts, legal forms, level of development of social economy and social enterprises across Europe, we think that at present it is not appropriate for the EU to propose a EU regulatory framework for national Investment Funds. However, we

consider that actions and tools to encourage the creation of national Investment Funds and to facilitate mutual learning among member states on existing lending mechanisms would be beneficial.

- We encourage the Commission and the other interested EU institutions to launch the definition of clear principles of eligibility to the future European Investment Fund, with the involvement of all relevant stakeholders, including CSO. Social Platform would like to be associated in this work.
- These instruments do not have to be limited to the financing of small projects if we really want to invest in social infrastructures. An example could be the setting up of a European Bank for social housing: projects of long-term real estate investments, with public guarantee schemes of last resort and with compensation funds in the sector (all operators work according to the solidarity principle).
- Together with the EU projects Bonds, it would be useful to develop thematic EU bonds. For instance financing social housing in different member states at the same time allows to have a volume and a mass which are attractive for investors and to have economies of scale.
- It seems that the SBI Communication focuses on enterprises that can make profit and can be self supporting. Organisations relying in part on subsidies have different characteristics and the support they need must be maintained (the social economy sector is very diverse). For example, when discussing supportive tax regimes or financing it should be taken into account that some organizations will not be able to provide a return on investment. The disadvantages experienced by non profits (such as limitations to create reserves, obligation to reinvest profits) should be taken into account and financial "advantages" should be in place to counteract such disadvantages.

1.b Better use of EU funds

In the next programming period, better and easier access for social enterprises to EU structural funds and other programs has to be ensured.

The new EU funds and programs have to be used in order to ease their access to credit too.

A. <u>On the new Structural Funds</u>:
   - Access for social economy enterprises to Structural Funds can be improved by:

     - tackling obstacles (increased pre and co-financing rates)
     - enhancing their eligibility for global grants, technical assistance and capacity-building support
     - developing and disseminating common guidelines, good practices and checklists for partnerships built upon the positive experience of EQUAL.

- Specific long-term programs schemes are deeply needed for ensuring a proper start-up and development phase of social enterprises.

B. On the New Programme for social change and Innovation:

- Open the participation under the Microfinance and Social Entrepreneurship axis to social economy organizations and social enterprises as well as to public and private bodies established at national, regional or local level in the eligible countries and providing in those countries:
  (a) microfinance for persons and micro-enterprises;
  (b) financing for social economy organizations and social enterprises.
  To allow social enterprises to be direct participants to the program is also a way to promote social innovation by social enterprises.

- Use the Microfinance and Social Entrepreneurship Axis of the EU Program for Social Change and Innovation and the Progress Micro-Finance Facility to support a targeted use of this Facility for people experiencing poverty and social exclusion. To make it happen, this instrument should be combined with the ESF, to provide accompanying measures (coaching, counseling and mentoring) and adequate outreach strategies built up in partnership between financial intermediaries, employment agencies and NGOs.

2) Increasing the visibility of social entrepreneurship:

- All support measures aimed at developing social entrepreneurship must have as a pre-condition a better knowledge, understanding and visibility of social economy and social enterprises, which in various EU countries have a well-established framework and long tradition.
- To achieve this objective, it is crucial to develop structured exchanges among the different actors (public authorities, social enterprises and social economy representatives, CSOs representing users, investors, banks including ethical banks, business companies…) at EU level and in the 27 member states.
- We consider that it would be premature to develop a European label for social enterprises, considering the diversity of concepts, legal frameworks and level of development of social enterprises across the EU. We encourage an approach step by step. In fact, we welcome the Commission's proposal to set up a data-base on existing labels at national level. The Commission, in cooperation with the relevant stakeholders, including CSO, could issue a guide containing non binding criteria that could be taken account by member states while defining a national label. It seems that labels can be more effective if they relate to the type of investment, like for example a label "social housing", and instead of generically refer to the social added value.
- The EU institutions could encourage member states to set up support structures for social enterprises that could be a ministerial or administrative structure on social economy (e.g. in France les Chambres Régionales de l'Economie sociale et solidaire have been created).

- It is urgent to develop a better common understanding of tools to measure social returns on investment and social value. This is not addressed in the actions foreseen by the Communication although it was raised in the social investment consultation. It would be an important area in order to develop understanding of and increase of the visibility of social enterprises/the social economy and for both public authorities and private investors to be able to measure the social added value and evaluate the results.

3) Reinforcing the managerial capacities, professionalism and networking of social businesses

- Schools and formal education should have a more pivotal role in raising interest in entrepreneurship and specifically social entrepreneurship. Boosting entrepreneurship equally among young boys and girls and young women and men should be done through an education system starting at an early age that encourages creativity, self-confidence, critical thought, societal values and participation. Learning by doing should be the key method used in this process.
- It is important to establish ways of how to reach young people that are not part of the formal education system as some drop out from school at an early age, therefore. Special focus is needed with regard to disadvantaged young people who are not in employment, education or training.
- Support structures and funding for mobility should be used also to develop social entrepreneurship among young people. Networks for mobility that would enable young or aspiring social entrepreneurs to learn from peers throughout Europe, should be created or expanded, as well as career-oriented training and guidance and contact with social entrepreneurs from local environment.
- It is very important to introduce training on economic and financial issues in all forms of education for aspiring social entrepreneurs.

4) Improving the legal environment:

- Legal frameworks are essential both at national and European level. The Commission should encourage member states to set up legal frameworks for social economy where they do not exist.
- At present, we do not support the idea of creating a European statute for social enterprises, considering the diversity of social enterprises in the EU in terms of legal frameworks and development.
- However, we call for a **European statute for associations**, besides to the creation of European statutes for foundations and mutual societies and the revision of the European statute for cooperatives. A European statute for associations would not only benefit large-scale organizations wishing to expand in other countries, but also thousands of small scale organizations in bordering regions which face difficulties in developing their activities cross-border.
- On the proposal to include social enterprises a new category in the review of the General Block Exemption Regulation, we recommend to first have an evaluation of the implementation of the new Almunia's package and to adopt a step by step approach.

Social Platform would like to be part of the consultative multi-stakeholder group on social business to share our expertise on this topic with the Commission and the other members of the group.

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