



European
Commission



Social enterprises and the social economy going forward

Executive Summary
and Recommendations

A call for action from
the Commission Expert Group
on Social Entrepreneurship (GECES)

OCTOBER 2016



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EXECUTIVE SUMMARY

The **social economy and social enterprises** represent a fundamentally new way of doing business and, as such, they have the potential to profoundly transform the socio-economic landscape. New trends in recent years have seen the emergence of a collaborative, circular economy, which in turn has created opportunities for the expansion of social enterprise in Europe. The social economy and social enterprises are playing an increasingly prominent role, which has been largely due to their ability to address some of the major challenges currently facing Europe, in particular the need to foster sustainable and socially-inclusive economic growth and create jobs. At the same time they address more targeted objectives, such as the refugee crisis, environmental degradation and the need to promote greater gender equality.

This report of the Commission Expert Group on Social Entrepreneurship (GECES) represents a **call for action** issued to the European Commission, Member States and social enterprises organisations.

It argues for a **European Action Plan for the Social Economy and Social Enterprises**, which would provide new impetus to promote an **enabling environment** for social enterprises and the social economy to flourish, building on their **core values** such as democratic governance, social impact, innovation, profit reinvestment or the central place given to the human in the economy. Thus enabled, social enterprises and the social economy will have an even greater impact in **addressing the challenges** highlighted above and help to create a more socially equitable society in Europe.

In accordance with the mandate given to GECES, the recommendations mainly focus on social enterprises. However in many cases, recommendations are relevant to social economy organisations more broadly.

The report proposes a **series of key recommendations** for policy-makers to support the development of **social enterprises and the social economy** as a driver of inclusive and impactful economic growth. The report is structured according to **four key thematic areas**.

The first of these areas examines ways to effectively **increase the visibility and recognition of social enterprises**, and to promote a better understanding of what social enterprise means. Three recommendations are put forward in this regard. The first calls on the European Commission, Member States and social enterprise organisations to gather stronger evidence on the added value of social enterprises and to better communicate it, with actions encompassing



data collection, the co-creation of an EU-wide communication strategy, the sharing of social impact management know-how and tools, and the building of better capacity to report on the social value generated by social enterprises. Secondly, to nurture a more assertive and coordinated social enterprise community, the report recommends forging diverse and inclusive representative networks that make it possible to take advantage of synergies, while promoting mutual learning. These networks could represent social enterprises at EU level and promote a culture of co-creation when it comes to policy targeting the social economy and social enterprises. Finally, to support a stronger place for social enterprise in public policy and actions at all levels, the Commission, along with the Member States and their local and regional authorities, should mainstream the social economy and social enterprises in all relevant policies, programmes and practices. Targeted actions towards this goal involve including social enterprises as eligible entities in all relevant European funding programmes, promoting the participation of the social economy and social enterprises in relevant European mobility schemes, and promoting mutual learning and capacity building between regional and local authorities so as to develop integrated support strategies.

The second thematic area in the report deals with the **development of a European economic environment that enables the social economy and social enterprises to access finance**. Recommendations in this area address the capacity building needs, financing needs and infrastructure needs of social enterprises. Specifically, it is recommended that increased resources be provided to training programmes, incubators and intermediaries that provide tailored capacity building support, helping social enterprises to build their managerial skills and achieve financial sustainability. Some concrete measures to unlock more funding that is better suited to social enterprises include awareness building among the broader funding community about how to finance social enterprises, building capacity within the ‘impact community’, enhancing the suitability of social investment, alleviating regulatory hurdles and the mapping of existing tax incentives associated with investment in social enterprise in order to disseminate best practice. Public funding should continue to be directed at social enterprises and also be used to mobilise private capital, through investment in and de-risking of social enterprise funding, as well as by putting proper governance structures in place.

To facilitate the development of an ecosystem within which social enterprises can thrive, a number of key recommendations have been made with respect to the legal environment and the provision of **legal and regulatory frameworks to encourage the creation and development of the social economy and social enterprises**. Here, it is recommended that

the Commission propose a soft legal measure to help Member States design an adequate framework to support the social economy and social enterprises. Furthermore, cross-border operations should be stimulated for mutual organisations and cooperatives, to enable them to use the full potential of the Internal Market to expand their activities. Public buyers should also make the best use of the new public procurement rules and incorporate social considerations into their tendering procedures. The report's final recommendation for improving the legal environment calls for policy-makers to increase awareness of state aid rules and their impact on social enterprises providing services of general economic interest.

The final section in the report deals with measures to **help the social economy and social enterprises reach their potential as key drivers of equitable and socially-inclusive economic growth**. The aim here is to increase EU support for social enterprises within the context of international development, with a view to achieving the post-2015 Sustainable Development Goals. With these objectives in mind, the Commission/EEAS should contribute, through the next cycle of its international development programmes, to a significant increase in open source intelligence about the social economy and social enterprises. Moreover, the Commission should take a leading role in encouraging global cooperation in social enterprise support by acting as a market convener and by fostering knowledge exchange. Furthermore, having identified overlaps and gaps in funding, the European Union and the EEAS should mainstream tailored support in all its existing and future policies and initiatives promoting social and economic development, in order to build supportive ecosystems for social enterprises.

These recommendations are targeted at the **European Commission, EU Member States (including their local and regional authorities) and third party countries, as well as the social enterprise community**. They provide clear guidance on how to increase the visibility of social enterprises and provide them with access to the finance they need to flourish, while at the same time creating an enabling environment in which the social economy and social enterprises can move forward, building on EU best practices and the accumulated experience of Member State representatives and social entrepreneurs. By adopting this comprehensive approach, the report aims to create the conditions needed to allow the social economy and social enterprises reach their full potential as an engine of inclusive economic growth and truly impactful social development in Europe and worldwide.



RECOMMENDATIONS

The GECEs General Report makes 13 recommendations for concrete actions to tackle the issues currently preventing social enterprises from working to their full potential. These recommendations are presented below.

Towards increased visibility, recognition and identity

Recommendation 1: The European Commission, the Member States and social enterprise organisations shall gather stronger evidence on social enterprises' added value and communicate it better. Actions should encompass:

- Collecting systematic data and prioritising research on the economic and social importance, including the employment potential, as well as the dynamics of social enterprises (Member States, Commission);
- Co-creating an EU-wide communication strategy (Commission together with the Member States and social enterprise organisations);
- Sharing of know-how and tools on social added value, including tools on social impact management (Commission, the Member States, social enterprise organisations);
- Building better capacity to report on the social value generated (social enterprise organisations).

Recommendation 2: The European Commission, the Member States, regional and local authorities, and social enterprise organisations should nurture a more assertive and coordinated social enterprise community. Actions should encompass:

- Forging legitimate, diverse and inclusive representative networks that enable synergies, mutual learning and coordination (social enterprise organisations);
- Supporting the representation of the social enterprise community at the EU level (Commission together with social enterprise organisations and the Member States);
- Promoting a culture of policy co-creation with social enterprises and their representative organisations (Member States).

Recommendation 3: The European Commission and Member States, as well as their local and regional authorities, should mainstream the social enterprise dimension in relevant policies, programmes and practices. They should consult with and engage social enterprises as much as possible in the creation of new policies and actions. Social enterprise organisations should actively promote and use these opportunities. Actions should encompass:

- Including social enterprises as eligible entities in all relevant European funding programmes and adding social enterprise dimensions in the implementation and follow up of EU-wide policy initiatives (European Commission);
- Promoting the participation of social enterprises in relevant European mobility schemes (European Commission);
- Promoting mutual learning and capacity building between regional/local authorities so as to develop integrated strategies supporting social enterprises (European Commission and Member States);
- Applying social criteria to public procurement processes (European Commission);
- Including social enterprise related topics in curricula from primary to university level and promoting career opportunities in social enterprises by public employment services and career guidance services (Member States and local and regional authorities);
- Promoting mutual knowledge sharing and business relations between traditional business and social enterprises (European Commission, Member States, social enterprises).

Improving access to funding

Recommendation 4: The European Commission and Member States should provide increased resources to training programmes, incubators and intermediaries that provide tailored capacity building support to social enterprises, required to build their managerial skills and to encourage their financial sustainability. Actions should encompass:

- Strengthening European-wide support for networks/platforms that connect individuals (including consultants and pro-bono experts) with social enterprises needing capacity building, and awards schemes for social enterprises (Commission);

- Setting up a pan-European investment and capacity building funding programme to help social enterprises reach investment readiness by financing capacity building support from selected service providers (Commission);
- Financing specialised social enterprise incubators/accelerators and intermediaries that offer training and capacity building to social enterprises (Member States);
- Using ESIF to fund capacity building activities at MS level (Member States).

Recommendation 5: The European Commission, the Member States and organisations from the social enterprise funding community should implement concrete measures to unlock and attract more funding that is better suited to social enterprises. Actions should encompass:

- Promotion, training, guidance and awareness building among the broader funding community (private and public) about how to finance social enterprises (organisations from the social enterprise funding community to collect best practices and Commission to disseminate);
- Building capacity within the “impact community” that understands and actively finances social enterprises, to enable social economy-based financial intermediaries to meet the needs of social enterprises;
- Enhancing the suitability criteria of investment in social enterprise, thereby increasing the flow of funds into social enterprise (Commission and Member States);
- Removing or alleviating regulatory hurdles faced by private funders of social enterprise and social enterprises themselves (Commission);
- Mapping existing, diverse tax incentives associated with the funding of social enterprise, to disseminate best practice (Commission and Member States).

Recommendation 6: The European Commission and the Member States should continue to direct public funding to social enterprise and to use public funding to mobilise private capital, through investment in and de-risking of social enterprise funders, as well as by putting proper governance structures in place. Actions should encompass:

- Enabling public financial instruments (e.g. EaSI, EFSI, InnovFin under Horizon 2020, COSME and other instruments under development) to enhance funding volumes and raise the quality of social enterprise funding (Commission) and to invest in social enterprise and specialised intermediaries (Member States);
- Programming the European Structural and Investment Funds (ESIF) to improve service provision and investment in high-quality social infrastructure. ESIF should have a transformative role and should be used to complement – not replace – Member States’ national budgets (Commission and Member States);

- Recommend to Member States to promote social investment namely through public funding in a coordinated, holistic manner in the areas of social, health and education services;
- Developing complementarities between public and private funding of social enterprise through the use of hybrid instruments (Commission and Member States);
- Representing key stakeholders from the social enterprise ecosystem in the governance of schemes supported by public funding, such as EFSI, and mainstreaming the use of impact measurement (Commission).

Improving the legal environment

Recommendation 7: The Commission should propose a soft legal measure which could help Member States design an adequate framework to support the flourishing and expansion of social enterprises. Actions should encompass:

- Preparing a legal recommendation, in the sense of the Treaties, that lays down minimum principles to encourage and support Member States in establishing a dedicated national framework to develop social enterprises (Commission);
- Monitoring social enterprise policies in the Commission’s exercise on the European Semester, in order to follow the implementation of the above legal recommendation (Commission).

Recommendation 8: The Commission and the Member States should stimulate cross-border operations for mutuals and cooperatives to enable them to use the full potential of the Internal Market in order to expand their activities. Actions should encompass:

- Financially supporting cross-border operations via programmes such as INTERREG (Commission);
- Collecting best practices regarding incentives to stimulate their growth in the Internal Market and widely diffusing them (Commission and Member States).

Recommendation 9: Public buyers should make the best use of the new public procurement rules and insert social considerations, including reserved contracts for the social and professional integration of disabled and disadvantaged persons (art. 20) as well as health, social and cultural services (art.77), in their tendering procedures. Actions should include:

- Updating the Commission’s “Buying Social” guide published in 2011 and monitoring best practices (Commission);

- Developing dedicated capacity building programmes and communication campaigns (Commission and Member States);
- Conducting/developing specific training for European civil servants, to take social aspects into consideration when drafting tendering specifications (Commission);
- Creating networks to stimulate the commitment of various stakeholders in this process (Member States, contracting authorities, social enterprise organisations).

Recommendation 10: The Commission and the Member States should increase awareness of state aid rules and their impact on social enterprises providing an SGEI. Actions should encompass:

- Preparing or, where appropriate, updating guidelines, especially the guide to the application of EU rules regarding services of general economic interest from 2013 (Commission and Member States);
- Launching further training on how to apply state aid rules (Commission and Member States).

Driving international development and growth

Recommendation 11: The European Commission/EEAS should contribute, through the next cycle of its international development programmes, to a significant and ongoing increase in open source intelligence about the social economy and social enterprises, and support ecosystems globally. Actions should encompass:

- Launching a major ongoing research initiative together with other interested donors and partners such as the OECD and its Development Assistance Committee members, the UNRISD, the World Bank, EU national development agencies and other public and private donors;
- Allocating a specific budget for impact evaluation for new support programmes for the social economy and social enterprises to bridge the lack of robust and clear evidence about the impact of this enterprise support on SDGs. This action should also be taken by Member States.

Recommendation 12: The European Commission should take a leading role in fostering global cooperation to support the social economy and social enterprises by acting as a market convener and harnessing knowledge exchange. Actions should encompass:

- Undertaking in 2017 a process of internal learning, coordination and cooperation between the various departments of the Commission and EEAS, whose work touches on the

- development of infrastructure and support for the social economy and social enterprises;
- Starting in 2017, initiating a series of regular exchange and action-oriented meetings with other global donors and investors (private and public) active on a transnational basis in supporting the social economy and social enterprises (irrespective of local designation);
- Making the case, together with the German Government, which holds the G20 Presidency from Autumn 2016, for promoting specific policies to support inclusive businesses/activities and social enterprises (as discussed in the G20 Inclusive Business Framework) to better reflect the differences in the set of values, principles and *raison d'être* between these organisations.

Recommendation 13: The European Union and the EEAS should mainstream tailored support in all its existing and future policies and initiatives and international negotiations promoting social and economic development (cooperation and development, foreign policy, trade policy, neighbourhood policy etc.) and embed social enterprises and the social economy more broadly in strategic thinking in order to build supportive ecosystems as reflected by the pillars of the SBI. Actions should encompass:

- Earmarking, in the next programming cycle, dedicated direct and indirect funding for social economy organisations, including social enterprises, in third countries, along with governments and support and social finance organisations; and starting concrete collaborations with other global partners to leverage EU funding and boost the impact of the respective programmes;
- Raising awareness, in particular with third country governments, of the role the social economy and social enterprises play in achieving the SDGs, as well as on the potential of North-South, South-North or South-South exchange of learning, innovation and collaboration, providing cases of successful replication of innovative social economy and social enterprise solutions and models as well as their impact;
- Embedding the social economy and social enterprises in Europe's revised Consensus on Development and in Europe's voice in international negotiations, trade agreements and at the United Nations;
- Organising marketplace events to connect social enterprises with the international financial ecosystem and facilitate major investments in developing countries, as well as engage other social economy organisations in defining financial instruments to meet their needs.

