



European  
Commission



# Social enterprises and the social economy going forward

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

OCTOBER 2016



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# FOREWORD

Social enterprises have gained in importance in European and national policies in recent years. Indeed, there is a growing awareness that they create sustainable and inclusive growth and stimulate social innovation. By focusing on people as much as profit, they foster a sense of social cohesion and promote the common good.

We need more of these enterprises with a social “DNA”, to ensure that we build a fair, inclusive and sustainable social market economy.

However, the potential of the social economy and social enterprises has not yet been fully unleashed, even at a time when Europe continues to face multiple economic, social and environmental challenges that they could help to resolve. Innovative approaches to the social challenges we face are all the more important at a time of public budget constraints. Much more needs to be done at all levels of public policy to optimise the framework conditions and funding support for social enterprises, both in the EU and beyond.

The European Commission is committed to partnering with stakeholders at all levels. Indeed, we will only succeed if we mobilise all the relevant actors - Member States, the European Parliament and, of course, stakeholders and grassroots actors. In this spirit, the Expert Group of the European Commission on Social Entrepreneurship (GECES) was invited to discuss and present recommendations to further develop European policies in favour of social enterprises.

This report provides a synthesis of the work of the independent Expert Group and its main findings in this context, and makes recommendations to the full range of stakeholders; private and public, national and European.

The Commission is grateful for the advice and expertise that GECES has provided. We hope that all relevant stakeholders will be inspired by the report and its recommendations, and that we will continue to work together, in partnership, to boost the social economy and social enterprises.



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A handwritten signature in black ink, corresponding to Valdis Dombrovskis.

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A handwritten signature in black ink, corresponding to Elżbieta Bieńkowska.



# EXECUTIVE SUMMARY

**T**he **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 report makes 13 recommendations for concrete actions to tackle the issues currently preventing the social economy and social enterprises from working to their full potential. These recommendations are presented below. The associated actions are dealt with in the body of the report.

## **Towards increased visibility, recognition and identity**

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

## **Improving access to funding**

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.
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.
6. The European Commission and the Member States should continue to direct 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.

## **Improving the legal environment**

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.
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.
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.
10. The Commission and the Member States should increase awareness of state aid rules and their impact on social enterprises providing a service of general economic interest (SGEI).

## **Driving international development and growth**

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.
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.
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 Social Business Initiative.

# A CALL FOR ACTION

Europe and its citizens are at a critical crossroads, where decisions affecting the livelihoods of current and future generations are at stake. Good intentions, signed agreements and postponed actions are no longer sufficient to tackle the task at hand: research data and first-hand observations both consistently confirm that social inequality is on the rise and environmental degradation is rampant. Regardless of our current situation, we should all be concerned by limitations imposed on society's capacity to ensure that all citizens reach their full potential. Therefore, both citizens and institutions aiming to nurture their potential should be made fully aware of failed actions and have access to best practice in counter-acting these destructive trends. For centuries the social economy and, more recently, social enterprises have paved the way towards a society that prioritises people and the planet. They have been led by citizens working hand-in-hand with fellow citizens, in cooperation with other key actors in society. However, the path has often been a difficult one and there are still many obstacles to progress. In this context, public administrations and policy-makers can play a significant role in supporting those working in the social economy, enabling them to improve conditions for citizens and the environment.

## A crucial field for the future of the European Union

Social enterprises and the larger social economy help to make the social market economy real. They contribute to achieving smart, sustainable and inclusive growth and, therefore, have a place at the heart of the Europe 2020 strategy.

Social enterprises, which employ entrepreneurial approaches to explicitly address social issues, were the main target of the European Commission's Social Business Initiative (SBI)<sup>1</sup> in 2011, in which an action plan was created to address the main obstacles in this field. In accordance with the mandate given to the Commission Expert Group on Social Entrepreneurship (GECES), the recommendations mainly focus on social enterprises as defined in the SBI. Therefore the concept used in the report is generally based on "social enterprises". However in many cases, recommendations are relevant to all social economy organisations more broadly. Indeed, this report argues for a **European Action Plan for the Social Economy and Social Enterprises**, which would provide new impetus for European actions designed specifically to promote enabling ecosystems for social enterprises, but would also include actions addressing the social economy more broadly.

With this report, GECES builds upon other recent initiatives from the Council of the European Union<sup>2</sup>, the European Parliament<sup>3</sup>, the European Economic and Social Committee<sup>4</sup> and the Committee of the Regions<sup>5</sup>. It acknowledges the Rome Strategy, adopted under the Italian Presidency, and the recommendations from the Strasbourg Declaration<sup>6</sup> and the Luxembourg Declaration,<sup>7</sup> which was adopted by six Member States at the conference "Boosting Social Enterprises in Europe", organised on 3-4 December 2015 by the Luxembourg Presidency of the Council.

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1 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Social Business Initiative, COM(2011) 682.

2 Council Conclusions (7 December 2015), *Luxembourg Presidency, The promotion of the social economy as a key driver of economic and social development in Europe*, Brussels, (15071/15 SOC 711 EMPL 464).

3 European Parliament Resolution of 10 September 2015 *Social Entrepreneurship and Social Innovation in combating unemployment*, Strasbourg, 2014/2236(INI).

4 European Economic and Social Committee, Opinion of 26 October 2011, *Social Entrepreneurship and Social enterprises*, INT/589, and Opinion of 1 October 2009, *Diverse forms of enterprises*, INT/447.

5 Opinion of the Committee of the Regions from 3 December 2015, *The role of the social economy in restoring economic growth and combating unemployment*, 2016/C 051/05.

6 European Commission, European Economic and Social Committee and the City of Strasbourg, *Strasbourg Declaration*, 16-17 January 2014.

7 Luxembourg Presidency of the Council of the European Union, *Luxembourg Declaration, A roadmap towards a more comprehensive ecosystem for social economy enterprises*, adopted in Luxembourg on 4 December 2015, by France, Italy, Luxembourg, Slovakia, Slovenia and Spain.

It is becoming increasingly difficult to deny that the current development path of industrialised countries has become a very fraught issue. Against a backdrop of financial instability, high unemployment, and environmental challenges, the social economy and social enterprises represent a sustainable way of doing business, with the potential to profoundly transform the socio-economic horizon.

European integration is based on the principles of democracy, equality and diversity. The social economy and social enterprises are exemplary in the sense that they implement unique organisational models based on the same principles. Their strength is also based on four values, all of which have underpinned the work accomplished by GECES members: collaboration, solidarity, pluralism and sustainability, aiming towards the democratic principle of “one person, one vote” through inclusive governance and real participation.

With the aim of contributing to the common good, the social economy and social enterprises offer specific tools that can be used to tackle important social challenges. Moreover, they can contribute to reducing the social divide and accelerating innovation while pursuing their overarching objective of providing a service to society. The social economy and social enterprises must become a priority for public authorities at the European, national and local level because they embody the power of change and have the ability to bring people back to the core of the European economy. The social economy, based on participatory organisational forms with the goal of serving the community at large rather than seeking profit, and social enterprises, driven by a commitment to resolve societal issues rather than make a profit for their owners or stakeholders<sup>8</sup>, shows that it is possible for business interests and social responsibility to converge. In 2010, the social economy<sup>9</sup> already provided work to 14.5 million Europeans and, according to the latest estimates, it currently accounts for 10% of jobs in the EU and 8%<sup>10</sup> of EU GDP.<sup>11</sup>

The social economy and social enterprises have proven to be very resilient during the economic and financial crisis in recent years. They have demonstrated an ability to overcome multiple obstacles and to absorb shocks that affect the stability of employment, for instance. The social economy is therefore a crucial part of the European economic landscape and needs to be part of any European entrepreneurship or job creation agenda.

Despite their wide variety, social enterprises share at least four common features: a social or societal objective, entrepreneurial behaviour, democratic and/or participatory governance, and the reinvestment of profits. These are mentioned in SBI Communication of the Commission, which also stresses, rightfully, the European roots of social enterprise. These rely on the concept of social economy and are to be found in the legal systems of several Member States. It is this common history that brings together the GECES members today. The term “social enterprise” that is used in this Report synthesises the different approaches in EU Member States. It is not to be understood as one single legal form of organisation, but rather as a term encompassing a large variety of models and expressions.<sup>12</sup> Social enterprises all depend on their national legal systems. The report favours an inclusive and pragmatic approach in order to accelerate the development of social enterprises in Europe. A principle of “shared”/“mutual” recognition should be studied so that each Member State can welcome “foreign” social enterprises as such in its own system across different legislations, even if the underlying concepts and criteria differ from state to state. According to the Luxembourg Declaration: “the European Union shall acknowledge a common understanding of the scope of the social economy and remain respectful of its huge diversity and historical background across all the Member States”.<sup>13</sup>

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8 For more details on the social economy and social enterprise definition see annex 2 of this report.

9 It should be noted that neither “Social economy” nor “Social enterprise” is a “sector”, as they represent a different way of doing business, across sectors.

10 European Economic and Social Committee, *The Social Economy in the European Union*, Report by José Luis Monzón and Rafael Chaves, 2012.

11 8% refers only to the social economy based on the four specific statutes (associations, cooperatives, mutuals and foundations) and doesn't encompass the fast growing social enterprises that have a traditional enterprise statute, and could be estimated at minimum 2% of GDP (although no robust data is available).

12 For more information, see in annex 2 a summary note written by Rocío Nogales (EMES European Research Network), *On the concept of social enterprise in Europe*, April 2016.

13 Luxembourg Presidency of the Council of the European Union, *Luxembourg Declaration, A roadmap towards a more comprehensive ecosystem for social economy enterprises*, adopted in Luxembourg on 4<sup>th</sup> December 2015.

This political vision calls for a better recognition of the social economy and social enterprises in Europe, including in the various national legal systems, building on the traditions of each individual country. At European level, new dynamism should be gained. The European Commission is therefore invited to study the legal and pragmatic implications of a possible use of the “shared”/“mutual” recognition principle, whereby Member States commit themselves to recognising the social economy/social enterprise forms included in the legal systems of other Member States.

## The contribution of the social economy and social enterprises

If the social economy and social enterprises have become so important nowadays, it is because they have proven to be able to engage in many and varied general interest fields of activity and tackle a variety of needs that arise in society. GECES considers it essential to highlight **five positive contributions**, each showing a dimension of the potential of the social economy and social enterprises to contribute to the development of the European Union.

### 1. High-quality and inclusive job creation and development

About three million jobs have been lost in the EU in net terms since the 2008 peak in the financial crisis. Given that new jobs are mainly created by young dynamic enterprises, Europe needs more new businesses and bold actions to boost entrepreneurship, as well as to help these businesses scale up and grow. The European Commission’s current focus on stimulating a “climate of entrepreneurship” is therefore well-chosen and necessary for success in job creation.

In this context the social economy and social enterprises have an essential role to play: many of them operate in job intensive business areas and in job intensive ways. The fact that maximising profit is not their driving force enables them to maintain and even create jobs at times when traditional businesses cut them. In addition, many social enterprises have innovated new ways of discovering, nurturing and matching talents to the right jobs, thus contributing to skills development and the improvement of the labour force’s employability and entrepreneurship in the traditional economy. For example, in Spain the social economy created more than 31,000 enterprises and 210,000 jobs in the 2008-2015 period. Moreover, over the past three years the Spanish employment programme *Lanzaderas*<sup>14</sup> has helped over 2,500 unemployed people to feel empowered, work in self-help teams and tap into each other’s resources to find a job. Finally, with their innovative approaches, the social economy and social enterprises pave the way for new job opportunities in areas that are not exploited by either traditional businesses or by public entities.

A successful job creation agenda in Europe needs to encompass actions to boost the development of the social economy and social enterprises, the potential of which is currently not fully exploited.

### 2. Social inclusion and poverty reduction

The social economy is a key actor in the EU economy and the Single Market. The social economy and social enterprises contribute to achieving the EU’s objectives of smart, sustainable and inclusive growth. Furthermore, many social enterprises are key actors in the provision of services of general interest to European citizens and, especially, to vulnerable persons. These enterprises meet social needs with respect to access to housing, healthcare, assistance for elderly or disabled persons and the inclusion of vulnerable groups. They also address the need for child care, access to employment and training, and dependency management, and they contribute to the fight against exclusion and poverty.

Within the social economy and social enterprises, Work Integration Social Enterprises are examples of actors that play a key role in fighting poverty and exclusion. These enterprises organise economic activities with the clear and specific mission of facilitating the social and professional integration of persons with disabilities or persons in vulnerable situations. There are, of course, many other types of social enterprises also working to address these problems.

14 More information about Lanzaderas available at <http://www.lanzaderasdeempleo.es/>, consulted on 27<sup>th</sup> May 2016.

**The role of the social economy and social enterprises is crucial to improve social inclusion and reduce poverty. This should be emphasised, clearly communicated and supported by the European Commission.**

### **3. The humanitarian crisis, inclusion and integration of migrants and refugees**

The European Union is currently struggling to find a solution to the ongoing humanitarian crisis. Asylum seekers who are granted refugee status encounter many obstacles; in particular, they face barriers to inclusion and integration. Public authorities have conventionally been left with the responsibility of dealing with migration issues. However, the on-going refugee crisis has highlighted the inadequacy of traditional strategies for dealing with migrants and the need to rethink these strategies.

In this context, there is no doubt that entrepreneurship in social economy forms contributes to a higher offer of structures aimed at these vulnerable groups and contains the right level of care and autonomy.<sup>15</sup> Many NGOs and social cooperatives such as *Camelot*<sup>16</sup> in Italy not only provide guidance to refugees but also offer languages courses, training and internships in enterprises. Social Impact in Germany has developed a start-up coaching programme for migrants that aims to assess their desire and ability to become, and stay, self-employed. In Berlin, the social enterprise *Kiezküchen*<sup>17</sup> facilitates the integration of refugees by putting them into contact with local hotel and catering businesses that are in need of workers. These two concrete examples illustrate a bottom-up approach to addressing societal problems and a 'general interest' rationale that characterises social enterprises and is emerging across several countries in Europe.

The last Communication from the Commission on the refugee crisis reminds us that *"there are over 60 million refugees or internally displaced people across the globe – the most severe refugee crisis since the Second World War"*.<sup>18</sup>

**In this situation, Member States can benefit from the increased mobilisation of the social economy and social enterprises, allowing them to contribute to the better integration of refugees:** As organised undertakings, their activities complement the possible actions of the public sector and the spontaneous demonstrations of solidarity shown by citizens, and they also enjoy greater trust and credibility in providing services than purely profit-based businesses.

### **4. An increasingly territorial and community based economy**

Because the social economy and social enterprises often originate from citizen initiatives or local economic actors, they are deeply rooted in their territories of origin. Social economy actors mostly look for solutions to local needs. This explains the very low rate of job dislocation in the social economy and among social enterprises, while at the same time posing some questions regarding the replication of social enterprises' best practice across territories. The social economy and social enterprises play a key role for local and regional authorities who can directly benefit from the added-value or new ideas, solutions and approaches to unforeseen or unavoidable problems that they create, whether this comes in the form of generating wealth and social connections or the production of new goods and services.

Local and regional authorities have both a direct interest and an important role to play in creating favourable conditions for the social economy and social enterprises in their territories. Consequently, many of the recommendations contained in this report refer explicitly to the role of local and regional authorities in putting the recommendations into practice.

**Policies concerning social enterprises need to be co-created by entrepreneurs and the relevant level of power. The various European networks<sup>19</sup> of local and regional authorities are particularly well placed to spread the message to these decision makers and complement the efforts of Member States in this respect.**

15 OECD LEED, Call for initiatives – local responses to welcoming refugees: from reception to integration, <https://refugeelocalwelcome.wordpress.com/category/by-type-of-organisation/social-enterprise/>, consulted on 27<sup>th</sup> May 2016.

16 Cooperativa Sociale Camelot, <https://refugeelocalwelcome.wordpress.com/2015/12/14/cooperativa-sociale-camelot-integrated-system-of-first-hospitality-actions-for-adult-and-unaccompanied-minor-asylum-seekers-in-ferrara-and-bologna/>

17 <http://www.bildungsmarkt.de/news/das-projekt-hospitality-ausbildung-im-berliner-gastgewerbe-fuer-gefuechtete-menschen-bei-der-oeed-vorgestellt/>

18 Communication from the Commission to the European Parliament and the Council *"State of play of implementation of the priority actions under the European Agenda on Migration"*. COM (2016) 85 final.

19 For more information - See Annex 3.

## 5. Gender equality

Numerous studies have shown the importance of fighting gender discrimination as a way to improve both the financial performance and social impact of any organisation.<sup>20</sup> Every organisation should support gender equality internally and externally, but the social economy and social enterprises have to be exemplary in this regard, as their vision and objectives are very often based on values such as solidarity and equality.

Women more often hold senior positions in social enterprises than in traditional SMEs.<sup>21</sup> In the United Kingdom for instance, 40% of social enterprises were managed by women in 2015, compared to only 18% in traditional SMEs.<sup>22</sup> However, these efforts need to be sustained, especially if social enterprises wish to keep their reputation as agents of positive and progressive change in the European Union. In this regard the European Commission and the various levels of authority in the Member States must support them. This means putting in place tailored measures aimed at improving access to funding and strengthening women's leadership and managerial skills. These include enhancing self-confidence, conducting additional research and collecting more data on women's participation in the social economy and social enterprises, and increasing access to information and the availability of mentoring programmes and support structures.

Following its Strategy for equality between women and men (2010-2015), the European Commission introduced a Strategic Engagement for Gender Equality 2016-2019.<sup>23</sup>

**Social enterprises have a specific responsibility in terms of gender equality and they need to lead by example in society. Therefore gender equality should be a principle at the core of recruiting and career development policies in the social economy and in every social enterprise:** the right of women to access the same opportunities and resources as men, and women's decision-making capacities cannot be overlooked by social enterprises, as this would considerably weaken the overall potential of communities and societies.

# Stepping stones for the social economy and social enterprises

In addition, over the past few years, **three new trends** have emerged to create opportunities for the further development of the social economy and social enterprises in Europe and beyond. Although they represent prospects for growth, innovation and competitiveness for the European Union, led by a stronger citizenship, they also create new risks for modern society.

## 1 Collaborative economy

The collaborative economy is generating considerable interest among people and enterprises. The advent of online platforms has greatly facilitated sharing and the exchange of services between individuals. This collaborative economy requires new forms of social relationships. It helps tackle the physical, economic and social isolation of rural areas, which makes it of particular interest to social enterprises. Social entrepreneurs have the potential to trigger a great number of important initiatives in this field thanks to their deep territorial roots and their ability to reinforce social links. However, as with any kind of economic practice, the collaborative economy can be engaged to benefit just a few, or for the improvement of society as a whole.

Social enterprises are currently lagging behind when it comes to engaging with the collaborative economy. There is a window of opportunity, but governments at the national, regional and local levels need to help the social economy and social enterprises become frontrunners in this area.

20 ICRW, Acumen, *Women and social enterprises, how gender integration can boost entrepreneurial solutions to poverty*, <http://www.icrw.org/sites/default/files/publications/Acumen%20Report.pdf>, 2015.

21 Pour La Solidarité, *L'accès des femmes aux postes à responsabilité en Europe, Bonnes pratiques et recommandations pour les entreprises sociales et classiques*, Etudes et Dossiers, Mars 2016.

22 Social Enterprise UK, *State of Social Enterprise Survey 2015*, p 4.

23 European Commission, *Strategic Engagement for Gender Equality 2016-2019*, [http://ec.europa.eu/justice/gender-equality/files/documents/160111\\_strategic\\_engagement\\_en.pdf](http://ec.europa.eu/justice/gender-equality/files/documents/160111_strategic_engagement_en.pdf), 2015.

The Communication from the Commission on upgrading the single market reminds us that the collaborative economy “provides growth opportunities for innovative start-ups and existing European enterprises, both in their home country and across borders.”<sup>24</sup>

**The social economy and social enterprises have significant potential for innovation and performance in the collaborative economy. But there is a need for increased awareness and concrete actions in Member States to help these enterprises reach their full potential in this regard.**

In particular, social enterprises need assistance in mastering the complex tools of digitalisation, such as online platforms.

## 2. Circular economy

The circular economy has emerged within the larger context of sustainable development initiatives. It addresses environmental needs and works as a loop within a given territory. Its goal is to produce goods and services while reducing the consumption and waste of raw materials and non-renewable energy. The steps of eco-design, product reuse and repair, waste reuse and recycling that characterise this new form of economy all require technological and social innovations that are primarily supported by social enterprises.

According to RREUSE<sup>25</sup> – a network representing social enterprises active in reuse, repair and recycling – 77% of EU citizens would rather repair their products than buy new ones, while at least 60% are happy to buy second-hand items of all sorts. However, consumers mostly replace or throw away their products because the costs of repair are too high. In addition to the contribution of this large network, promising initiatives are also emerging. The social enterprise Fairphone is an interesting example.<sup>26</sup> This organisation produces ethical smartphones by maximising social impact at all stages of the value chain, notably with the use of conflict-free minerals in production. Spare parts and repair tutorials are available to customers, who are encouraged by Fairphone to replace their devices only at the end of their lifespan.

According to the Communication from the Commission on an action plan for circular economy: “SMEs, including social enterprises, will make a key contribution to the circular economy.”<sup>27</sup>

**It is important to recognise that in several Member States the social economy and social enterprises have been pioneers in the circular economy and they continue to be frontrunners.** The EU and the Member States could benefit even more from the innovative capacity of social enterprises in developing the circular economy if appropriate support and assistance were to be made available to allow them to unleash their full potential.

## 3 Inclusive business

In 2015, G20 leaders endorsed the G20 Inclusive Business Framework<sup>28</sup> (IBF), followed in 2016 by the launch of the Global Platform on Inclusive Business. According to the IBF, inclusive businesses are commercial organisations that address “people living at the base of the (economic) pyramid, making them part of the value chain of enterprises’ core business as suppliers, distributors, retailers, or customers.” They may also pursue broader socially-inclusive goals and should promote economic, social and environmental development. There are three types of Inclusive Business Approaches: inclusive business models, inclusive business activities and social enterprise initiatives.

The emerging international debate on the (financial) tools and mechanisms to help inclusive businesses to unlock their potential, makes it **imperative that the European Commission, the Members States and third country partners carefully assess the intrinsic differences in terms of goals, values and governance between social enterprises and inclusive business models and activities, in order to avoid treating companies interested primarily in profit equally with those for whom profit is just a means to a social end.**

24 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, *Upgrading the Single Market: more opportunities for people and business* – COM (2015) 550 final.

25 RREUSE, <http://www.rreuse.org/>, consulted on October 3rd, 2016.

26 CEPS, *The circular economy: barriers and opportunities for SMEs*, No. 412, September 2015, pp 15-17.

27 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, *Closing the loop – An EU action Plan for the circular economy*. COM(2015) 614 final.

28 <http://g20.org.tr/wp-content/uploads/2015/11/G20-Inclusive-Business-Framework.pdf>

# Working methods, goals and themes addressed

During its seventh meeting, which took place on 16 September 2015, GECEs was invited to discuss and present recommendations for the further development of European policies in favour of the social economy and social enterprises. A new working method was endorsed by GECEs that reflects the European Commission's desire to adopt a more bottom-up approach, fostering a process of co-creation.

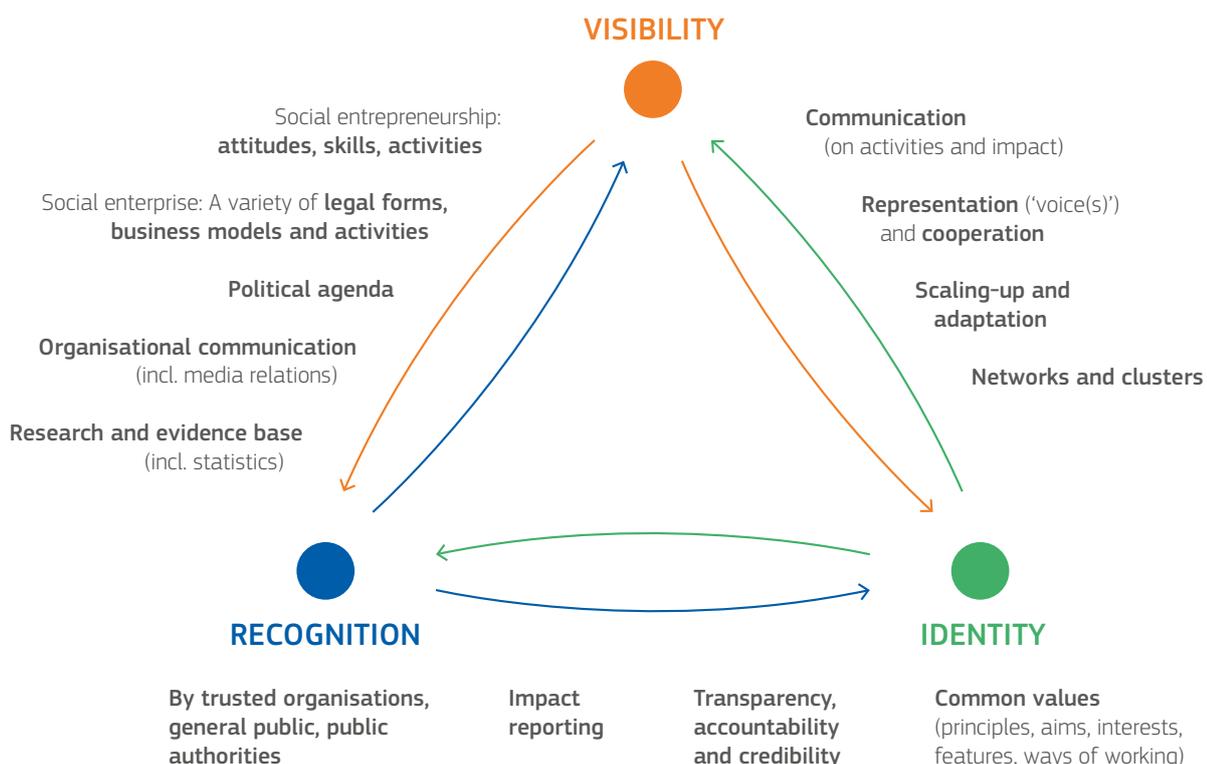
GECEs worked in plenary session and in working groups that focused on four different areas, led by individual rapporteurs and a rapporteur général. The rapporteurs and the rapporteur général are presented in annex 1.

GECEs was convened for six meetings between September 2015 and October 2016, organised with the support of the European Commission.

The following sections of the report are dedicated to the four themes studied and are illustrated by best practices, which are included in the annexes and in supporting documents available on the Commission website.

The first section argues that, if we are to develop a level playing field, it will be necessary to increase the **visibility, understanding and recognition** of the social economy and social enterprises in Europe. Despite their real weight in the economy and contribution to the well-being of Europe, social enterprises remain invisible for the most part: often they are visible only to specific communities and fail to reach out to a mainstream audience. This shortcoming is linked to three interrelated key concepts: visibility, identity and recognition. All three of these dimensions and the dynamism between them need to be taken into account in order to overcome the problem. This perspective has guided the work on recommendations for increasing visibility and recognition that are presented later in this report, but is also a relevant conceptual framework for understanding the challenges in designing and promoting an agenda in favour of social enterprises and the social economy in general.

Figure 1. Key concepts for raising awareness about social enterprise in Europe and related actions



The second section encourages the development of a European economic environment that facilitates **access to funding** for social enterprises and the social economy at large. The financial needs of the different enterprises fulfilling the SBI criteria are varied – this should be the starting point for the development of instruments, both public and private, to finance the social economy and social enterprises. Financial needs and circumstances also differ between Member States, as they vary according to their level of development. Financial institutions and policy-makers are not always aware of this diversity and tend to provide one-size-fits-all responses. Furthermore, social enterprises themselves may not know how to access funding and may not have the business skills to present their case adequately. As stated in the Luxembourg Presidency conference “Boosting social enterprises in Europe” in December 2015, there is an urgent need to develop an adequate European financial ecosystem capable of providing effective support for social innovation and the social economy, including social enterprises. The current deficiencies in the ecosystem that prevent social enterprises from accessing funding, and how to overcome these, have guided the development of recommendations on this topic. For ease of reading, technical recommendations associated with this section, which complement the general ones, are provided in the annexes.

The third section focuses on the need for an adequate **legal framework** for European the social economy and social enterprises and on the identification of appropriate and reliable solutions to be used in order to fully exploit internal market opportunities and deliver social outcomes. This section also discusses the best ways to take advantage of the new Public Procurement Directive to facilitate social enterprise development. The difficulties in applying the de minimis regulation and SGEI Decision for social enterprises are investigated and positive practices are highlighted and solutions proposed. This section also addresses mutuals and cooperatives, structures that have an added value for the European economy and society as a whole, but which face multiple legal and regulatory barriers.

Finally, the last section of the report concentrates on **how the EU can increase its involvement in supporting social enterprises across the world**, in particular in the context of the United Nations Sustainable Development Goals (SDGs). This section, notably, discusses ways to improve the evidence base on the social economy and social enterprises and specific support existing outside the EU. Another point addressed is how to foster global collaboration among international actors and donors to help create better support structures locally. Lastly, the section focuses on how the EU can strengthen external policies and initiatives that promote economic development in accession countries, neighbours and other third countries by including social enterprise support mechanisms.

All the working groups formulated their recommendations in such a way as to make them as useful and efficient as possible. The recommendations are aimed at several target audiences - the European Commission, the Member States (including local and regional authorities), the social finance ecosystem and international organisations active in the field, as well as the social economy and social enterprise community. They are decisive and fundamental, and their goal is to make social enterprises move forward, building on EU best practices and the experience of Member State representatives and social entrepreneurs.

## REPORT RECOMMENDATIONS

The recommendations presented within the following four chapters constitute a strong set of measures to be considered and implemented both at EU and national/sub-national level. The European Commission is invited to examine the recommendations carefully and to use its right of initiative in order to establish a concrete and comprehensive EU-level roadmap for the coming years to boost the development of the social economy and social enterprises beyond the currently ongoing actions, mainly initiated within the framework of the 2011 SBI. The Member States and their local and regional authorities, as well as organisations representing the social economy and social enterprises, are all invited to play their part in putting this new agenda into practice at every level of society.

# TOWARDS INCREASED VISIBILITY, RECOGNITION AND IDENTITY

Increasing the visibility and recognition of social enterprises and strengthening their identity can contribute to their enhanced positive social and societal impact. This impact differs depending on the community or group in question, for instance:

- For **social entrepreneurs and practitioners**: increased visibility and recognition will allow them to increase sales and contracts from, and partnerships with both private and public markets and attract talent, finance, and support. It is also conducive to the creation of stronger networks of practitioners with an increased capacity to act as a group.
- For **public administrators**, the impact would be double: at the policy-making level and the 'buying social' level. Firstly, policymakers with an increased understanding of the nature, diversity and role of the social enterprise community are able to make more relevant and effective policies. Secondly it will also lead to a better use of socially responsible public procurement.
- For different sub-groups of the **general public** it would involve harnessing a different dimension in entrepreneurship; supporting social enterprises by purchasing their products and services; contributing to funding; accessing volunteering and career opportunities; and ultimately becoming active citizens as ambassadors or advocates of this "other way of creating wealth".
- Regarding **exchange across sector borders** (private, public and civic), more visibility could result in an increased exchange of mutually beneficial joint actions, lessons learnt and joint development strategies between these sectors, thereby strengthening their combined impact on society.

An important dimension to consider is the **scale and level** at which the visibility of social enterprises is addressed. Improving visibility at local, national or European level requires different strategies and, accordingly, different measures and actions.

As regards making **communication a central part of social enterprises' organisational functions**, new resources should be devoted and knowledge shared about the communications process. In this sense, communication departments at universities and communication agencies are important allies in the effort to awaken a community that has been dormant for too long with respect to the power of communications.

Lastly, there is an important aspect of the invisibility of social enterprises that is rarely mentioned: **their political dimension**. Social enterprises represent different models of creating value for society as a whole and so, to some extent, they may be perceived as questioning the *status quo* and the rationale of some traditional firms, especially those that only focus on the financial bottom line, rather than the social or environmental. Moreover, as they are very often connected to social and solidarity economy networks seeking to improve conditions for disfavoured groups, society in general and/or the planet, they represent a counter-power to some mainstream practices and policies.

In this context, actions aiming at facilitating the articulation of voices from the social enterprise community will allow for the much needed inclusion of well-respected community members in debates and discussions pertaining directly to them. This articulation represents a much needed prerequisite for three potential contributions that social enterprises can make to society: a) advocacy; b) provision of needs and transformative action; and c) co-construction with public authorities and the traditional business sector.

## POLICY RECOMMENDATIONS

Recommendations in this section are presented in three strategic areas, which link to the three interlinked dimensions of visibility, identity and recognition as previously described in this report:

1. Developing a sharper picture and stronger messages (**visibility**);
2. Nurturing a more assertive community (**identity**);
3. Supporting stronger place in public policies and actions at all levels (**recognition**).

### Developing a sharper picture and stronger messages

Greater visibility requires better knowledge and better communication. To fully harness the potential of the social economy and social enterprises, they need to be more visible towards political decision-makers, funders, mainstream businesses and the general public. This will only be possible if a more accurate picture is available and it is communicated better than has been the case thus far.

Specifically, a better understanding is needed of what the social economy and social enterprises do and could contribute to social, environmental and economic well-being and how this contribution can be assessed and supported by policies.

**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 1 encourages the Commission and the Member States to collect **systematic data on the economic and social importance and dynamics of social enterprises**. This should include a double dynamic: on the one hand, the progressive incorporation of social enterprises within national satellite accounts for the social economy where they exist and, on the other hand, encouraging the creation of satellite accounts on the social economy by national statistical offices where they do not exist yet. The Commission (Eurostat) should include this data in EU-level comparisons. Furthermore, the Commission should, in partnership with the Member States, support the production and regular updating of progress reports about the state and development of the social economy and social enterprise community and its ecosystem at the EU, national and local levels. These reports should be prepared and produced jointly with universities and research organisations, practitioners, international organisations and public administrations that have worked in the field.

The Commission should also encourage the Member States and regions to increase the capacity of their research communities, including through cross-country and inter-regional comparisons, stock-taking and mapping exercises, and to engage more intensively in the evaluation of public policies and actions.

At the EU level, various European Commission services and other EU bodies should better coordinate their research activities, with a focus on both fundamental and applied research, in order to build a sound evidence base that can inform policy design at European and national levels.

Furthermore the Commission should strengthen and support the **sharing of know-how and tools** on how to demonstrate the social added value of social enterprises. This includes dissemination of good practice in designing, planning, implementing, measuring, monitoring, and reporting on their social impact and social added value. As part of this effort, the Commission could encourage social enterprises to implement the recommendations from the GECES sub-group on social impact and social added value measurement.<sup>29</sup>

Finally the Commission is also invited to consider the feasibility of an **EU-wide communication strategy** co-designed and co-created by all stakeholders using a participatory method and partnership approach. This strategy should aim to highlight the social impact and social added value of the social economy and social enterprises and could include, for example, the following elements:

- a. A general narrative and visual identity for social enterprises in the context of all related concepts (social economy, social entrepreneurship, social innovation, etc.) backed up by basic data and concrete examples of their contribution to the socio-economic development of Europe and its regions, including examples from the various types of organisational forms.
- b. An assessment of the costs and benefits of actions, and the identification of actions to make the most of social enterprise labels and registers, both in terms of promoting their visibility in general as well as being used pro-actively, for example by making it easier for public authorities to recognise the value offered by social enterprises in the context of public procurement.
- c. An assessment of the role and achievements of existing dissemination initiatives by organisations and networks<sup>30</sup> (Internet portals, newsletters, etc.) to inform about the actions taken by the Commission and other actors to support the social economy and social enterprises in order to develop better synergies in the future.
- d. A media strategy that creates sustainable links with media representatives and opinion leaders, including traditional media and new channels.
- e. A high-visibility recurring event (e.g. European Year of Social Entrepreneurship, European Social Enterprise Week, possibly connected to the Global Entrepreneurship Week) that would be built upon information, mobilisation and networking events in all Member States.
- f. A system that connects this action to the various events and initiatives happening at the local level so as to increase the European dimension of the social economy and social enterprises. This needs to be done in partnership with local networks and actors, so as to reach social entrepreneurs on the ground and spread the use of European, national and regional tools, as well as the communication tools that are available to support their activity and to initiate the transfer of best practice.

Social enterprises and their representatives are invited to invest more in their capacity to **demonstrate their social impact and social added value** and take ownership of the process. This requires better coordination with other social enterprise players, skills and training, recognised methodologies, as well as a process of bottom up co-creation in order to reach a critical mass of social enterprises that present appealing stories supported by reliable data. Member States and local administrations should facilitate and support this capacity building.

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29 GECES, *Proposed approaches to Social Impact Measurement in European Commission legislation and in practice relating to EuSEFs and the EaSI*, <http://bookshop.europa.eu/en/proposed-approaches-to-social-impact-measurement-in-european-commission-legislation-and-in-practice-relating-to-eusefs-and-the-easi-pbKE0414665/>, June 2014.

30 Including CECOP, COOPERATIVES EUROPE, DIESIS, ENSIE, EUCLID, EVPA, REVES, Social Economy Europe, Social Innovation Community, Social Platform, SME platform, Social Value International, to name but a few.

## Nurturing a more assertive community

The social economy and social enterprise community needs the capacity to voice its views and share its knowledge and experience so as to have a public presence at EU level. Furthermore, social economy and social enterprise actors should be able to combine their experience and knowledge in order to leverage and promote their use by other stakeholders in Europe.

*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).*

This recommendation directly concerns **social enterprises and their representative organisations**. To voice their interests efficiently at all levels, they should recognise the variety of social enterprise actors and build legitimate representative networks and alliances at regional, national and EU level. The ultimate goal is to enable synergies, mutual learning and coordination, with a view to developing advocacy strategies aimed at various economic and political interlocutors.

This bottom-up effort should be supported by the European Commission via financial **support for EU-level knowledge and experience sharing, networking and representation**. Furthermore the Commission should engage in systematic dialogue and strategic partnership with social enterprises and their representative organisations, actively working to **co-create social enterprise policies and initiatives that are co-managed by stakeholders**.

At the national and local levels, Member States, as well as their local and regional authorities, should promote a **culture of co-creation by systematically involving social enterprises and their representative organisations in the design and implementation of strategies, policies and actions** in this field. Needless to say, increasing the visibility of social enterprises will result in an increased awareness of the social economy at large.



# Supporting a stronger place for social enterprises in public policies and actions at all levels

Following the SBI, social enterprises have been taken into consideration in the design of several EU programmes and tools. It is time to make full use of these opportunities. Similarly, at national/sub-national level, social enterprises need to be systematically recognised and promoted in relevant policies and actions. Notably, social entrepreneurship should be better embedded in educational curricula and reflected by services that advise people on their career transitions.

***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).*

Recommendation 3 focuses on the need to place the social economy and social enterprises on the European landscape by urging the European Commission to explicitly mention the social economy and social enterprises as **eligible entities** in all relevant European funding programmes. This also concerns explicitly including a social enterprise dimension in the implementation and follow-up of European-wide action plans, such as the Small Business Act (SBA). To this end the SBA Performance Review should include monitoring the state, development and dynamics of social enterprises.

In tandem, the Commission should actively **promote the participation of the social economy and social enterprises in relevant European mobility schemes** (e.g. Erasmus+ and Erasmus for Young Entrepreneurs) and in European cooperation among educational institutions (e.g. universities involved in developing a European Master's in Social Enterprise and transnational social enterprise apprenticeships).

In order to facilitate capacity building the Commission should **support mutual learning between regional/local authorities so as to help to put in place integrated strategies supporting social enterprises**. This should be done by developing tools and methods for public authorities and social enterprises' representatives to co-create actions and gather good practice. The Commission should also consider launching, together with the representatives and networks of local and regional authorities, a European-wide "social enterprise cities" campaign promoting local development strategies that include partnerships between local authorities, social enterprises and relevant support organisations.

A critical aspect for the Commission would be to lead by example and **use social criteria in the Commission's own public procurement practices as widely as possible**, training its own public servants and spearheading an effort to have more transparent, fair and efficient contracts. It is important that this process be communicated to the Member States and other stakeholders so as to raise awareness about the importance of doing this at all public administration levels.

Member States, as well as their local and regional authorities, should encourage **educational institutions to include social enterprise related topics in curricula**, making use of the “*European Entrepreneurship Competence and Sense of Initiative Framework*.”<sup>31</sup> They should reflect on the issue of school curricula, from primary level onwards, covering the social economy and social enterprises. Furthermore, **public employment services and career guidance services should promote career paths in social enterprises, including social services, to students and jobseekers**, emphasising the traditions of collective and participatory forms of social enterprises in Europe.

Member States should also develop and make available **high-quality support services for social enterprises at all stages of their life cycle. This should notably include** support for the development of the leadership capabilities of founders and managers of social enterprises, to prepare them to scale up their activities.

All stakeholders should promote **mutual knowledge sharing and business relations between traditional business and social enterprises**<sup>32</sup>, including **local competitiveness clusters, sustainable private procurement and pro bono advice services**, harnessing the potential of intrapreneurship in creating synergies with and support for social enterprises.

Member States should also use the potential of social entrepreneurship in supporting the development of an **entrepreneurial culture**. To this end, they could provide more dedicated funding to universities, intermediaries, informal educational organisations and educational programmes in the area of social enterprise, the social economy and social entrepreneurship. Increased support for educational programmes focusing on social enterprise is required to inspire social entrepreneurs to get started.



31 The Entrepreneurship Competence Framework, <https://ec.europa.eu/jrc/en/publication/eur-scientific-and-technical-research-reports/entrecomp-entrepreneurship-competence-framework>, European Commission, Joint Research Centre, 2016.

32 The study which will be carried out for the European Commission in 2017, followed by a conference in 2018 («SBI follow-up: cooperation between social economy enterprises and traditional enterprises») will help to understand this important topic, with concrete recommendations for action.

# IMPROVING ACCESS TO FUNDING<sup>33</sup>

As stated at the Luxembourg Presidency conference “Boosting social enterprises in Europe” in December 2015, there is an urgent need to develop an **adequate financial ecosystem** capable of providing effective support for social innovation and social economy organisations, including social enterprises. This chapter provides concrete policy recommendations to the European Commission, Member States, regional and local authorities, the general funding community (including public authorities), as well as the social economy and the social enterprise funding community, aimed at *encouraging and enabling an ecosystem to improve access to funding for social enterprises within Europe*.

In many Member States, **private funding** is not available in sufficient supply due to a lack of visibility and understanding of social enterprise within the mainstream funding community. This is compounded further by persistent regulatory hurdles and a lack of incentives associated with investing in social enterprise. **Public funding**, as payment for a service provided, is of vital importance. This is the main source of funding for social enterprises that provide services of general interest contracted out by public authorities and, in many countries, for work integration social enterprises also. GECES would like to highlight that the provision of services of general interest (such as social, health and education services) is a public authority’s responsibility. When public authorities decide to outsource the provision of these essential services, public funding should remain the main source of funding, and public authorities remain accountable for the provision of services, even when they decide not to deliver them directly. They also remain responsible for monitoring and evaluating service delivery, involving users and beneficiaries too. In many Member States, work integration social enterprises receive public funding to pursue their activities. It is important that this kind of public investment continues and is not jeopardised by austerity policies, as has happened in recent years.

**Financial needs** and circumstances also **differ between Member States** – *for example social enterprises that work for the social and work integration of persons with disabilities or disadvantages (WISE) rely on public funding in some countries, are integrated in the private market in others, and often use a mix of financing*. Financial needs also vary according to their level of development (conceptual support, development of pilot projects or prototypes, large-scale development).

Access to funding that supports **(social) innovation** along the whole chain is important, responding to the need to shift from experimentation with new approaches, including their evaluation and transferability, to the sustainability in the medium and long term of proven meaningful innovations. Funding (both private and EU funds) tends to be available mostly in the experimentation phase.

There is a need to promote a shift from a project-based approach to **long-term strategies** that include social innovation, as well as to ensure the **continuity and financial sustainability of services** in a context where public funding is decreasing in many Member States. Social enterprises have a primary social mission and therefore often give the impression to creditors or potential investors that they are higher-risk and are less profitable than other businesses. Furthermore, social enterprises tend to be small, often lacking the internal capacity necessary to prepare business plans and draft sound financial projections required by financial intermediaries to provide financing.

33 More technical details on how to implement the recommendations can be found in the Annex, and a more detailed account on “Improving access to funding” can be found in the GECES subject paper on the topic.

## POLICY RECOMMENDATIONS

Finally, due to their size, the financing amounts that most social enterprises need are relatively small, which means that financial intermediaries incur high transaction costs compared to the size of funding provided. In addition, exit scenarios are often missing, as it is difficult for social enterprises to return investments at the level of at least capital repayment.

Recommendations in this section address the main needs/deficiencies that prevent social enterprises from accessing funding, namely:

1. Capacity building needs – social enterprises need to learn how to find, attract and communicate with funders;
2. Financing/funding needs – appropriate types of funding may be lacking;
3. Infrastructure needs – structural issues may prevent social enterprises from accessing funding.

### Improving capacity building to help social enterprises find, attract and communicate with funders

**Capacity building** needs are closely linked to funding. At the pre-start up and start-up stage, the management team of a social enterprise may lack certain skills and experience, including those associated with accessing and utilising specific types of funding, or so that the social enterprise can become financially self-sustainable. Furthermore, social enterprises often do not know how, and do not have the networks, to **find, attract** and **communicate** with funders. At an early-growth stage, social enterprises need assistance to professionalise processes and functions. Finally, at a later growth stage, social enterprises would benefit from investment readiness support, and support in creating exit scenarios.

*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 4 urges the European Commission to strengthen its support for **networks, platforms and awards schemes** that aim to build the capacity of social enterprises and provide them with unrestricted funding and promotion.

The European Commission is invited to set up a **pan-European investment and capacity building funding programme**, following the example of the UK *Investment and Contract Readiness Fund*, by defining a list of pre-approved, specialised service providers that social enterprises can call on to gain access to high-quality and appropriate capacity building support, financed through the fund. In countries lacking this type of service provider, the Commission could establish a list of criteria which would guide the establishment of these providers in every country. The objective is to help social enterprises become investment ready (through the optimisation of business models and the development of business and financial plans, etc.).

Member States are encouraged to engage more directly with **local incubators and accelerators**, but should finance only the ones (selected through a competitive process) that are run by professionals with sector expertise, and the ones that are connected to networks of service providers and funders.

The Commission should **encourage Member States** to make use of the social economy and social enterprise investment priorities of the ESIF, to create support mechanisms for the development and scaling-up of the social economy and social enterprises, capacity building, and the development of partnerships between public authorities, financial institutions, businesses and social enterprises. Member States should also **raise awareness among social enterprises** about the possibility of direct access to funds also within the framework of investment priorities not tailored to them (e.g. investment priorities for the promotion of employment, social inclusion, equal opportunities, education, energy efficiency and social infrastructures).

## Unlocking and attracting more funding that is better suited to social enterprises

**Financing/funding** needs relate to how social enterprises, at different stages in their evolution, require different types of funding, some of which is less easily accessible due to **deficiencies in the funding community** and a general **lack of availability** of appropriate funding.

There is still only a small subset of the funding community – the so-called **“impact community”** (venture philanthropy organisations, social impact investment funds, social enterprise incubators, ethical, mutual and cooperative and savings banks, etc.) – that understands and actively finances social enterprises. The **broader funding community** – private (mainstream banks, foundations, high net worth individuals, business angel networks, etc.) and public (EU financing and others) – lack awareness and understanding of the opportunities and risks of financing social enterprise, and retail investors are often not even provided with the option of investing in social enterprise by advisors and fund managers.

Furthermore, unnecessary regulatory hurdles exist that decrease potential levels of private funding of social enterprise, and tax incentives for social enterprise funding are scarce and fragmented across European 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 5 invites the Commission to actively work to **remove siloes** between the “**impact community**” and the **broader funding community** – private and public (Member States and public authorities, EU programmes and ESIF), by **raising awareness** and **increasing the understanding of social enterprise** among the broader funding community. This recommendation would also allow social economy-based financial intermediaries to increase the scale and reach of their operations, including operating across national boundaries. Concretely, this action implies building stronger links between the Commission, Member States and **organisations representing the social enterprise funding community**. In this way, the latter can **collect best practices** from the “impact community”, and the **Commission and Member States can promote and disseminate** these practices through more traditional funding channels.

The recommendation offers a vision where **social enterprise is a natural opportunity for any type of investment**, including retail investments, with full transparency in terms of risk. The Commission is encouraged to **develop suitability requirements** under the Markets in Financial Investments Directive (MiFID) to address social and socially-focused investment, and to work with the European Securities and Markets Authority (ESMA) to develop practical guidelines to support and develop this area. Member States are invited to work with their financial services regulators and professional bodies to introduce new, or develop existing, **competency frameworks** for advisers and fund managers to cover social and socially-focused investment, and to develop **standards and practice in relation to suitability criteria** for social investment. GECES is encouraged by the development of solidarity-savings schemes in France that have mobilised EUR 6.8 billion (end of 2014). The recommendation urges the Commission to undertake consultations as to whether other Member States could **replicate the French solidarity-savings schemes**, and calls on eligible Member States to develop guidelines, competency frameworks and legislation to implement such a system.

In terms of regulatory hurdles, there is a general perception that **the costs of the EuSEF structure outweigh the benefits**, which is why GECES welcomes the Commission’s initiative to review the regulation (ahead of schedule). The ongoing revision of the EuSEF Regulation should be devised in such a way that it provides **clear benefits**, while **reducing the current costs** for the fund manager, with the objective of **generating the setting-up of more social investment funds across Europe** (rather than creating additional barriers). Furthermore, the Commission is invited to explore the need to develop criteria for **lighter regulation of donative intent investment**, which is currently disproportionately over-regulated, by reviewing innovative examples in Member States, and developing wider recommendations for a lighter touch approach.

Finally, GECES recommends that the Commission undertake to **map existing, diverse tax incentives** for investment support of social enterprise – including philanthropy, to highlight best practice and **disseminate the results of this to Member States**, generating greater pan-European consistency and facilitating cross-border investment. The objective is to **develop a system that rewards rather than punishes financing of social enterprise**, by recognising the tax savings that such entities provide.

## Putting in place mechanisms and infrastructure that encourage more public funding and mobilise private funding

Finally, **infrastructure needs** pertain to the structural issues that currently prevent social enterprises from accessing funding. *The public sector should continue funding social enterprise - public procurement is addressed specifically in Chapter IV.* There is often a **misalignment between public policy and the priorities of private donors and investors** which leads to duplication in some areas and inadequate funding in others. As mentioned in the introduction to the section on *Improving access to funding*, the provision of services of general interest (such as social, health, education services) is a public authority's responsibility. Investing in high-quality services for all pays off: it brings long term societal and sometimes economic gains. It contributes to the promotion of gender equality and work-life balance, employment, social inclusion, better health and education; it reduces crime, poverty and inequalities. After the initial cost, these investments usually translate into savings for public finances in the medium/long term. Not spending on these essential services has a huge cost in the long-run, and it is almost always more costly to try to engage in damage repair than to invest in long-term, holistic solutions. There is a need to better define societal challenges so that they are addressed by all the public authorities concerned in a coordinated manner.

By contrast, the public sector should be encouraged to use existing financial instruments to support the participation of private capital, thus further leveraging available funding, and outsourcing the direct investment to experienced social enterprise funders. The social enterprise funding market is still nascent and severely under-resourced in most European countries<sup>34</sup>. In their market-building role, **public investors should support private investors in taking on more risk** or in getting a different return on investment than if only the private sector were involved.

***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).*

Recommendation 6 urges the Commission to perform an **examination and optimisation of existing instruments** supported by the EU budget and implemented by the EIB and EIF to **enhance funding volumes** offered by financial institutions/intermediaries and investors, and to **better match the funding source and type with the needs of the social enterprise**, including the following suggestions:

<sup>34</sup> According to EVPA's most recent industry survey, most venture philanthropy/social investment funds have annual budgets below EUR 2.5 million. <http://evpa.eu.com/publication/european-venture-philanthropy-and-social-investment-20132014-the-evpa-survey/>

- EaSI and/or EFSI - the assessment requests that current programmes be adapted or enhanced to improve their usability for financial institutions/ intermediaries;
- Consistency of definitions of social enterprise should be ensured between the EIB, EIF and the European Commission, with a focus on ensuring greater market demand for social enterprise;
- EFSI - promote EuSEFs and other social impact investment funds, as well as the Social Impact Accelerator (SIA) and its investees among the EFSI's investment options (e.g. on an equal footing with venture capital or ELTIF funds), ensuring complementarity with existing instruments already available to support social enterprise funding/investment needs;
- ESIF - use ESIF to develop and test joint financing support schemes that combine grants, loans, guarantees and other financial instruments, also by pooling together various types of public and private sources, including savings and crowd-funding, and further exploring synergies between the ESF and ERDF to co-fund joint financial instruments.

GECES urges the Commission to explore ways of **providing financial support** (long term loans and equity investments) **to financial intermediaries** (e.g., investment funds) that directly invest between EUR 100,000 and EUR 500,000 in **social enterprises**, or financial advisors that match supply and demand. This should not preclude funding also being made available to already existing social enterprises that also need sustainable funding and support for accompanying actions.

The Commission should also provide a stronger message to **Member States to promote and invest in social enterprise**, and to **support specialised intermediaries** (including public/private collaborations and civil society actors) that help build the social enterprise ecosystem. Member States may explore the **use of ESIF to develop and test joint financing support schemes** that combine grants, loans, guarantees and other financial instruments, to encourage the set-up of more social enterprise seed funds and social impact investment funds. Member States can also **use the EFSI to provide guarantees and act as co-investors** to support the action of social welfare funds in Europe and invest in the EFSI itself, linked to social business.

Hybrid capital should open up a new spectrum of finance for social enterprises that would otherwise be unable to access finance. Here, the role of public capital is to provide subsidies/leverage to other forms of capital and act as a catalyst. GECES invites the Commission to **provide catalytic capital for layered fund structures to leverage more private capital into the financial ecosystem** for social enterprises; through a) non-repayable EaSI funds that enable hybrid fund structures to operate with target returns below nominal capital preservation *and/or* b) repayable ESIF funds that could act as catalytic first-loss capital. Furthermore, GECES recommends that the Commission conduct an **analysis of the conditions under which innovative hybrid instruments can be used**. This analysis should define a framework to guide policy-makers and practitioners on potential risks, opportunities and negative consequences, and provide examples of these.

The Commission should ensure that **key stakeholders** in the social enterprise ecosystem are represented in the governance of funding schemes, for example the EFSI, by appointing a specialist in social policy as one of the independent experts in the Investment Committee. In all its funding programmes (e.g. EFSI), the Commission should **promote the measurement of social impact and give it the same status** as financial turnover and economic growth, building on the work of the GECES sub-group on **social impact measurement**,<sup>35</sup> while also collecting/disseminating best practices from practitioners.

35 GECES, Proposed approaches to Social Impact Measurement in European Commission legislation and in practice relating to EuSEFs and the EaSI, [http://ec.europa.eu/internal\\_market/social\\_business/docs/expert-group/social\\_impact/140605-sub-group-report\\_en.pdf](http://ec.europa.eu/internal_market/social_business/docs/expert-group/social_impact/140605-sub-group-report_en.pdf), June 2014.



## IMPROVING THE LEGAL ENVIRONMENT

Creating and developing **an ecosystem** where social enterprises can grow, consolidate and thrive is required if they are to succeed in the internal market and deliver social outcomes. Despite recent progress, many countries still lack the legal framework needed to encourage the creation, development and sustainability of social enterprises. The development of an **appropriate framework** in Member States is important and should be based on social economy principles and values as mentioned in the **Social Economy Charter** (April 2002).<sup>36</sup>

Legal and regulatory frameworks can **clarify the definition of a social enterprise**, its mission and activities and help to open up opportunities for fiscal relief, provision of support and access to public procurement and other markets. Both policy-makers and investors would benefit from this clarity.

In countries where there is no appropriate legal framework in place, social enterprises may struggle to have their dual bottom line (social and economic) recognised and may find themselves subject to legal and regulatory frameworks that are inappropriate. Nevertheless, it is important to carefully evaluate whether new legislation is needed or whether it would be sufficient to adapt the existing legal framework.

Moreover, social enterprises need to stimulate their **cross-border activities**. Alternatives to a dedicated European statute for enterprises such as mutuals, and proposals to overcome the lack of uptake of the European Cooperative Statute have to be found.

The **public procurement reform package** adopted at the beginning of 2014, which encourages and enables public authorities to consider the full life-cycle of products in their purchasing decisions including based on social criteria, needs to be fully implemented.

Likewise, the **Services of General Economic Interest (SGEI) package**,<sup>37</sup> which gives more flexibility to public authorities when providing state aid to social enterprises, needs to be better understood to enable these enterprises to reach their full potential.

36 Those principles are:

- The primacy of the individual and the social objective over capital;
- Voluntary and open membership;
- Democratic control by the membership;
- Combination of the interests of members/users and/or the general interest;
- Defence and application of the principle of solidarity and responsibility;
- Autonomous management and independence from public authorities;
- Use of most surpluses to pursue sustainable development objectives, services of interest to members or the general interest.

See *Déclaration finale commune des organisations européennes de l'Économie Sociale*, CEP-CMAF, p 19:

<http://www.eesc.europa.eu/resources/docs/qe-30-12-790-en-c.pdf>.

37 [http://ec.europa.eu/competition/publications/cprn/2012\\_1\\_9\\_en.pdf](http://ec.europa.eu/competition/publications/cprn/2012_1_9_en.pdf)

## POLICY RECOMMENDATIONS

Recommendations in this section are presented in four strategic areas, namely:

1. Creating a legal framework for social enterprises;
2. Reinforcing opportunities in the Internal Market for mutuals and cooperatives;
3. Introducing social considerations in public procurement decision-making;
4. Better implementing state aid rules.

### Towards a legal framework for social enterprises

The establishment by a Member State of a dedicated legal framework for social enterprises may be one step towards their recognition. Member States, however, have different institutional, legislative and administrative systems. Their tradition of social economy and social enterprise varies and has to be respected. When creating a framework, legislative competence at different levels of governance should also be kept in mind.

*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,<sup>38</sup> 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 7 invites the Commission to play a **pro-active** and **inspirational** role and develop a strategy to help Member States set up legal frameworks for social enterprises. The legal recommendation would be an instrument:

- to recognise the specific contribution of social enterprises, in particular to the socioeconomic development of a Member State, in different sectors of activity;
- to define the guiding principles and values of social enterprises within the social economy landscape;

38 Oxford Handbook of European Law 2015 – *Legal Acts and Hierarchy of norms in EU law* – pg 103.

A recommendation in the European Union, according to Article 288 of the Treaty [on the Functioning of the European Union] is one of two kinds of non-binding acts cited in the Treaty of Rome. Recommendations are without legal force but are negotiated and voted on according to the appropriate procedure. Recommendations differ from regulations, directives and decisions, in that they are not binding for Member States. Though without legal force, they do have a political weight. The Recommendation is an instrument of indirect action aiming at preparation of legislation in Member States, differing from the Directive only by the absence of obligatory power.

- to encourage cooperation between economic actors, civil society and Member States at different levels of governance and develop (co-construct) and operationalise (co-produce) policies for the public good;
- to acknowledge the role of social enterprises in contributing to growth, competitiveness and social cohesion.

The recommendation should refer to the following **three core elements**:

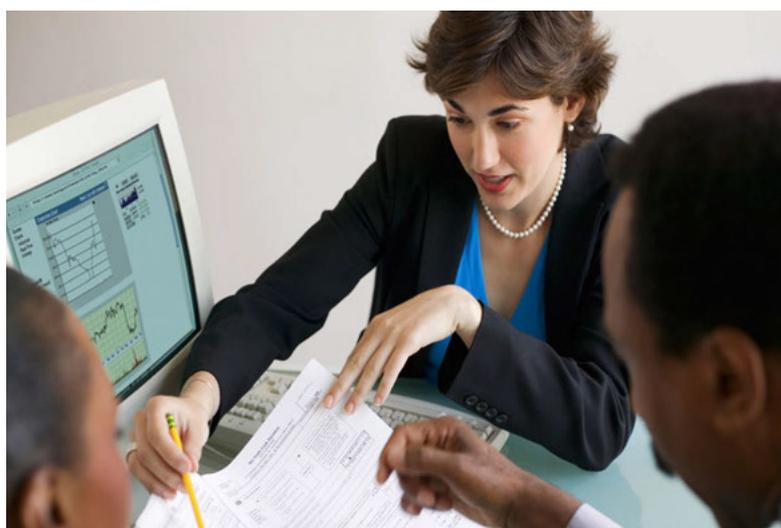
- legal elements to be contained in the framework;
- policy measures at different levels of national, regional and local administration to stimulate the development of social enterprises;
- instruments to develop a coherent and favourable institutional context for the development of social enterprises.

The recommendation will be an instrument to raise awareness and highlight the contribution of different forms of enterprises, such as mutuals, cooperatives, associations and foundations, as part of the social economy. It will propose policy measures specifically tailored towards the social economy and social enterprises. Within the EU 2020 strategy and the framework of the European Semester, a scoreboard for social enterprise policies could be developed as a possible monitoring tool.

The recommendation could also be helpful for third countries, which could adapt it in their own legislation.

## Taking full advantage of internal market opportunities: a specific focus on mutuals and cooperatives

Given that the unanimous adoption required in the Council for the statute on the European mutual<sup>39</sup> is unlikely, alternative ways to remove the barriers that mutuals encounter when accessing the Single Market should be investigated. The lack of recognition of mutuals in many Member States, and the lack of understanding of this status where it exists, makes it difficult for them to develop, scale up and easily engage in cross-border operations.<sup>40</sup>



39 [http://ec.europa.eu/growth/sectors/social-economy/mutual-societies/index\\_en.htm](http://ec.europa.eu/growth/sectors/social-economy/mutual-societies/index_en.htm) (Pantea report).

40 As stated by the European Commission when regenerating the agenda of its dedicated expert group: "If social enterprises and their special features are not recognised, it can be difficult for authorities to justify and design support schemes, introduce tax or other incentives for their benefit."

Even though an EU Court of Justice decision from 8/9/2011 recognised the **cooperative identity**, they still suffer from a similar lack of status recognition, in addition to a lack of coherent policy regarding collective projects.<sup>41</sup> Cooperatives also encounter difficulties when trying to access finance, increase their visibility and expand.<sup>42</sup> The Commission has at its disposal specific tools, such as the European Enterprise Network,<sup>43</sup> which need to be upgraded to be able to provide support services tailored to cooperatives. The European Cooperative Statute is also believed to add value at national level as it contributes to the development of national legal frameworks for cooperatives. It could therefore be an example for countries wishing to introduce or review a specific cooperative law, stimulate the development of cooperatives, or facilitate cross-border cooperation between them.

**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 8 encourages **cross-border cooperation** at different levels to develop social enterprises such as mutuals, which do not benefit from a European Statute.

At national level, Member States need to remove technical/administrative obstacles to these operations, collecting best practices and exchanging learning. The European Enterprise Network (EEN) should be an instrument to diffuse best practices within the European Union.

Member States should be invited to join the signatories<sup>44</sup> of the **Luxembourg Declaration** and participate in cross-border projects in order to benefit from the size of the European market.

At the European level, more **INTERREG funds** should be earmarked for cross-border cooperation projects of this kind.

## Social enterprises and the new public procurement rules

The revised **EU Public Procurement Directive**<sup>45</sup> set out the rules under which public bodies can purchase goods, services and works, and aim to guarantee equal access to, and fair competition for, public contracts in the EU market. GECES's comments mainly focus on Directive 2014/24/EU (thereafter "the Directive") on public procurement.

Although the Directive provides contracting authorities with a vehicle to achieve social and environmental goals, they are not obliged to pursue these goals. It is up to Member States to decide how to treat qualitative and social aspects when transposing the new provisions into their national law and it is up to contracting authorities when implementing them. GECES recommends that Member States include in their national laws all the provisions that allow for social and qualitative aspects, leaving contracting authorities to decide on their use, when feasible.

41 "Fostering cooperatives' potential to generate smart growth & jobs" March 2015  
[http://ec.europa.eu/growth/tools-databases/newsroom/cf/itemdetail.cfm?item\\_id=8291&lang=en](http://ec.europa.eu/growth/tools-databases/newsroom/cf/itemdetail.cfm?item_id=8291&lang=en)

42 Idem

43 The Europe Enterprise Network helps businesses develop opportunities in the EU and beyond. 600 member organisations, including chambers of commerce and industry, technology centres, universities and development agencies are part of the network.

44 Idem footnote 6

45 Directive 2014/24/EU of the European Parliament and of the Council on Public Procurement <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=cel-ex:32014L0024>

The European Commission should continue to provide assistance to contracting authorities in Member States in the implementation phase and Member States should not miss this opportunity.<sup>46</sup>

***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 9 invites the Commission to update the guide "**Buying Social**", which was released in 2011, and to collect models for the transposition of best practices by Member States.

The Commission should **monitor, exchange, and disseminate** socially responsible public procurement best practices on a yearly basis. The results of this monitoring should be widely diffused within the European Union.

The Commission should **lead by example and apply socially responsible principles to the public tenders it launches**. This approach needs to be applied systematically throughout the organisation. As part of this approach the Commission could, for instance, reserve a certain percentage of tenders for economic operators whose mission is the economic and social integration of people with disabilities or other disadvantages. Other EU institutions should commit themselves to do the same.

The Commission and Member States should launch **tailored capacity building measures/training and communication activities** for contracting authorities. These measures will improve contracting authorities' knowledge of the possibility of inserting social clauses in public procurement, leading to the professionalisation of public purchasers.

In addition, these actions will ensure that contracting authorities do not take into account the lowest price/lowest cost criteria in their tendering procedures but rather consider using the **best price-quality ratio** (BPQR).

By including a **provision on reserved contracts** in national legislation, contracting authorities could restrict some tendering procedures to sheltered workshops and economic operators whose main aim is the integration of persons with disabilities and other disadvantaged persons into the workforce. Specific attention should be paid to small structures and identifying best practices for them.

Where feasible, Member States should facilitate the participation of **civil society organisations and social enterprises** in public procurement by awarding contracts in the form of separate lots. The creation of networks of **Social Procurement Contact Points** to disseminate best practices, share experience or conduct peer reviews should be implemented. In order to succeed, it is important to monitor the social compliance of suppliers and conduct follow-up work to ensure that they have put procedures in place to enable compliance with a dedicated Code of Conduct.

<sup>46</sup> Best practices are included in supporting documents that are available on the GECES website. The group would like to thank Social Platform for its contribution on that issue – [www.socialplatform.org](http://www.socialplatform.org) <http://www.socialplatform.org/what-we-do/service/public-procurement/>

## On state aid issues

The **2012 SGEI Package** provides Member States with a simpler, clearer and more flexible framework for supporting the delivery of high-quality public services to citizens, which have become even more necessary in these times of crisis.

Social services that are economic in nature benefit from special treatment in the 2012 SGEI Package. However, public authorities in the Member States, citizens, civil society organisations and other stakeholders may still have many questions about the application of these EU rules.

***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).*

Recommendation 10 focuses on state aid issues. In 2013, the Commission developed an **SGEI Guide** based on frequently asked questions from stakeholders. As additional frequently asked questions arise in the future, the Commission is invited to consider updating the 2013 SGEI Guide to help public authorities better implement state aid rules for SGEI. Member States are invited to send specific examples of difficulties in applying the SGEI rules in their bi-annual reports on the implementation of the 2012 SGEI Package to the Commission.

Authorities in Member States should publish **guidelines on the application of the rules on state aid and SGEI**. These documents could also provide a concise overview of EU legislation regarding state aid that is, for instance, most relevant for people involved in managing ESIF funds. These guidelines could also emphasise the importance of regional rules and invite local authorities to stimulate the development of a market that is also accessible to social enterprises.

Member States could use the web, training events, and individual advisers to diffuse this information.



# DRIVING INTERNATIONAL DEVELOPMENT AND GROWTH

Over the past half century, there have been **numerous efforts** by governmental and non-governmental international aid and development organisations and agencies to counteract food shortages and financial crises, many of which are the consequences of bigger root causes such as climate change, poverty and inequality, or result from corruption and non-democratic systems. Over the last 15 years, a lot of progress has been made towards achieving the **Millennium Development Goals**, but much still remains to be done, with almost 900 million people globally living in poverty<sup>47</sup> in 2012 and key targets such as universal primary education yet to be achieved. EU Member States are themselves not untouched by these challenges. In such an inter- and hyper-connected world, the effects of regional and local crises and challenges, such as income inequality, are felt much faster elsewhere across the world and rapidly become global problems – take the current situation with migration and asylum-seekers, for example. Against this backdrop, there is an increasing awareness of the need for a clearer focus on **South-North and South-South collaboration** that can enhance the empowerment of local communities, as well as the transfer and spread of innovative grassroots solutions throughout the world, with the support of public policies.

As a result, there has been a realisation that we cannot have a transformative development agenda by continuing to do business as usual. There is a need to reflect on and, where appropriate, change the way we understand, organise, co-create and provide **development programmes** in order to boost our capacity to deliver impactful and sustainable change in countries that desperately need it. Despite struggling to accommodate change, an increasing number of international governments and their agencies are opening up their policy-making processes to citizens and the social economy and social enterprises that have been emerging across the world, in an attempt to resolve ongoing global challenges.

By looking for **effective and entrepreneurial solutions** rather than financial gains, social enterprises have steadily pioneered some of the largest market changes of the last decade, from the energy revolution that is turning millions of households into producers of green electricity,<sup>48</sup> to education, where public providers are challenged by newcomers such as Khan Academy,<sup>49</sup> Coursera<sup>50</sup> or University of the People,<sup>51</sup> which provide knowledge and even degrees without the traditional barriers to entry. Moreover, cooperatives have been leading the way in providing decent jobs to 250 million people,<sup>52</sup> striving to offer good working conditions as an inclusive solution to tackle poverty.<sup>53</sup> These and many others are prime examples of how private grassroots organisations, led by passionate individuals and their teams, can not only change the lives of hundreds, thousands or even hundreds of thousands of people, but can make a positive contribution to the fight against issues such as child labour, or in changing commonly held negative perceptions, such as the idea that poor people are un-bankable. The opportunity cost of not providing more support to the social economy and social enterprises is enormous for today's society.

With the process towards change picking up in pace, driven in part by the social economy and social enterprises, policy-makers and big corporations, if they want to be part of this inevitable and democratic change, will be obliged to adapt their values to reflect the same principles that underpin social enterprises.<sup>54</sup> Moreover, together with social investors, donor agencies and other philanthropic and development organisations, they can choose to become **key players** in this process of

47 <http://www.worldbank.org/en/topic/poverty/overview>

48 For example of Schönau Power Supply: <http://www.theguardian.com/lifeandstyle/2011/may/21/ursula-sladek-power-green-campaigner>; and Rescoop: <https://rescoop.eu/>

49 <https://www.khanacademy.org/>

50 <https://www.coursera.org/>

51 <http://uopeople.edu/>

52 [https://ica.coop/sites/default/files/media\\_items/cooperatives\\_and\\_employment\\_a\\_global\\_report\\_en\\_\\_web\\_21-10\\_1pag.pdf](https://ica.coop/sites/default/files/media_items/cooperatives_and_employment_a_global_report_en__web_21-10_1pag.pdf)

53 European Commission, *A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries*, COM(2014)263.

54 "How to trigger markets for Millions" by Felix Oldenburg - <http://belgium.ashoka.org/en/how-trigger-markets-millions>.

change by tackling specific gaps and barriers confronting social enterprises, and supporting them in their efforts to emerge, grow and scale. With the EU's collective Official Development Assistance exceeding that of all other donors combined (EUR 58.2 billion in 2014),<sup>55</sup> the EU and its Member States should use their key role as mediating institutions to leverage **private capital**,<sup>56</sup> lead or be involved in international initiatives as requested by the EESC since 2010,<sup>57</sup> and advocate for **ecosystem support** and greater focus on the potential role that the social economy and social enterprises could play in achieving the SDGs - including in cooperation with local governments in third countries.<sup>58</sup>

## POLICY RECOMMENDATIONS

The following recommendations aim to foster the **creation of nurturing ecosystems** in third-party countries to enable the social economy and social enterprises to emerge and grow, and create space for them to further contribute to shaping and achieving the 2030 Agenda and a new development approach. Given the great geographical scope of this section, the variety of historical and cultural traditions, and the identity and evolution of the organisations that can fit in the SBI definition, we have mainly focused on support at the **macro level** and at the **crossroads** between the three previously discussed pillars – **visibility, finance and legal frameworks**. Notably, we have looked at the role the EU, Member States and other stakeholders could play in developing long-lasting and effective national and transnational infrastructures for the social enterprise community in developing countries and EU neighbourhood regions. As indicated in the previous sections, creating these nurturing environments for social enterprises will also contribute to the development of the social economy.

### Strengthening knowledge and impact of social enterprises and their support mechanisms globally

To render current and future investments in social enterprise support more effective globally and to understand the value and impact of the social economy and social enterprises, we first need to take stock of the situation and overcome key roadblocks that are preventing a better coordination of support and donor organisations in order to achieve greater impact.

1. Lack of a **common terminology** and **acknowledgement** of the added value created by social economy and social enterprises, resulting in the scarce availability of data, difficult positioning and quantification of current size, their association with NGOs or for-profit businesses, or their instrumentalisation for job creation or poverty alleviation policy purposes.
2. **Blurred understanding** among the international donor community and local policy-makers about social enterprises, their cultural and historical roots, and their connection with other related concepts (the social economy, social innovation, social entrepreneurship, etc.).

<sup>55</sup> [http://ec.europa.eu/europeaid/sites/devco/files/addis-def\\_150702\\_v3.pdf](http://ec.europa.eu/europeaid/sites/devco/files/addis-def_150702_v3.pdf)

<sup>56</sup> In 2015, officially recorded remittances to developing countries amounted to \$431.6 billion.

<sup>57</sup> EESC (2010) - *Social Economy in Africa*. <http://www.eesc.europa.eu/?i=portal.en.rex-opinions.15760>

<sup>58</sup> For example, despite the existence of more than four networks for social enterprise in MENA, there is still no political agenda on this topic. A strong signal from the EU earmarking specific funding to these organisations could influence national governments to recognise and support social enterprises.

3. **Insufficient knowledge** of the specific needs and role of the social economy and social enterprises in low and middle-income countries.
4. **A lack of knowledge** on the demand and the supply side of the existing financial and non-financial support offered to the social economy and social enterprises in developing countries.
5. **Lack of a common narrative** around innovation is holding back social enterprises from accessing innovation funding and delivering impact in development markets.

***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,<sup>59</sup> 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.*

Often, there is **promising data available** at the level of individual programmes. Many social economy organisations and social enterprises collect data for internal purposes and to provide to donors and investors. However, the aggregate impact of social enterprises is not known due to a lack of standardised measurement and reporting practices. Recommendation 11 urges the Commission and EEAS to engage reliable global partners, local governments and existing networks, associations and consultancies such as ESMED, MEDESS, IESMED or PEFONDES in MENA to co-develop an action-research project to:

1. analyse historical development paths and discuss a common terminology based on key principles;
2. assess the social economy's and social enterprises' needs (building on the experience and lessons learnt from the study "A map of social enterprises and their ecosystems in Europe"<sup>60</sup>) and build a database of local experts and practitioners;
3. analyse the regulatory and economic environment in third-party countries from different regions;
4. map existing support networks, donors and investment programmes locally and internationally and develop an open source online visual mapping of the major international donor organisations, impact, public investment and philanthropic funds (private) offering transnational support programmes for the social economy and social enterprises (even if not specifically designed for social enterprises). This should include information about their programmes (including existing EU and Member State programmes), results and impacts. This research will be the cornerstone for future impact-driven collaborations. A list of examples of these programmes can be found in the annex.
5. examine the gaps and overlaps in the support infrastructure and, building on the work of the OECD's Expert Group on Social Impact Investment<sup>61</sup> and of the Global Social Impact Investment Steering Group, identify innovative financial tools and instruments (such as the Social/Development Impact Bonds<sup>62</sup> and Social Impact Incentives<sup>63</sup> used outside the EU) in order to assess key success factors and learning points;
6. assess the added value brought by the social economy and social enterprises to external policy and relations and use the results as a basis for grounded policy support.

Given the scale of the research proposed, other actions should not be postponed while this research is being conducted.

59 <http://www.unrisd.org/>

60 <http://bit.ly/2bKx75E>

61 This Group is focused on improving the evidence base for social impact investing through improved data interoperability.

62 OECD Working Paper, *Understanding Social Impact Bonds*, <http://www.oecd.org/cfe/leed/UnderstandingSIBsLux-WorkingPaper.pdf>

63 The Social Impact Incentives are a new form of pay-for-success instruments which are able to leverage the deployed funds and attract commercial capital (unlike SIBs). Read more here: <http://bit.ly/1nqP8uG>

# Fostering cooperation and the active involvement of the EU in international initiatives for social enterprises

As the SDGs cannot be achieved by one type of player alone, **cooperation** is key both in the provision of finance and in achieving solutions. Recommendations in this section address **three main deficiencies**:

1. Limited knowledge on the demand, but often also on the supply side, of the existing financial and non-financial support offered to the social economy and social enterprises (often under other designations) in developing countries, as well as of the gaps and overlaps in, and the impact of, these support policies.
2. Limited coordination and cooperation between the various development, aid and major philanthropic players, leading to scattered and uncoordinated opportunities for the social economy and social enterprises and a lack of prioritisation at the political level.
3. Untapped know-how and expertise accumulated by international donors and investors.

*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<sup>64</sup>) to better reflect the differences in the set of values, principles and raison d'être between these organisations.*

Recommendation 12 urges the Commission to ensure that EU officials specialised in the social economy and social enterprises liaise with departments in charge of civil society and humanitarian development, private sector development, and inter-cooperation and trading (access to markets) in order to **raise awareness, exchange know-how and provide examples on new organisational models** and existing support policies in Member States. For example, EU officials specialised in social enterprise and social economy policy should participate in DG DEVCO's bi-annual Expert Group.

The Commission should pre-identify key topics of interest and invite external potential partners to discuss **concrete cooperation** opportunities during the first meeting in 2017, rendering the value added of the meeting clear to participants. For example, in light of the work of the Commission in recent years, three topics could be covered in the research initiative mentioned above: smart co-investments in innovative (regional) funds for the social economy and social enterprises in the Euro-Mediterranean, Eastern Neighbourhood, Black Sea and ACP (Africa, the Caribbean and the Pacific) countries; how to build the capacity of governments to support the social economy and social enterprises; and the development of systems to monitor the sector. The aim of the meeting is also to promote a more collaborative inter-institutional work approach, empowering other major donors and support organisations to share more, learn from each other's successes and failures in an active way and align efforts and strategies to foster the impact of individual programmes or develop joint initiatives.

64 Idem footnote 28

To render this pledge for more cooperation more practical, the Commission and Member States with more mature social economy markets are also urged to **analyse the possibility of joining other specialised fora** to foster coordination and alignment, such as the International Development Innovation Alliance (IDIA), the International Leading Group on Social and Solidarity Economy (ILGSSE), the UN Inter-Agency Task Force on Social and Solidarity Economy (TFSSE), the Social Enterprise World Forum (SEWF) Committee or the Global Social Impact Investing Steering Group (GSG), the follow-up group of the G8 Task Force on Social Investment.

Last but not least, the Commission and the German G20 Presidency should discuss with the other G20 leaders the implications of creating common policies to support inclusive businesses activities and social enterprises, and consider providing social enterprises a higher level of support given their non-profit aims and participatory or democratic governance systems. On the other hand, the comparative advantage of grassroots innovation and empowerment that characterises social enterprises makes them ideal partners for inclusive businesses. However, the metrics of “scale of impact”, “innovation” and “empowerment” need to be equally valued, enabling small community-level social enterprises to attract funding and further build on their capacities.

## Strengthening the role of social enterprises in EU external policy

Recommendations in this section address **five main deficiencies**:

1. Ongoing limited recognition of social enterprises and the social economy at large as levers for economic development and innovation, and their infrequent involvement in decision-making processes locally.
2. Untapped innovation potential affected by a development model that has limitations in engaging with and empowering local communities, in fostering South-North and South-South collaborations and exchanges of development models and in providing support structures to unleash innovation and collaboration mechanisms.
3. Unseized opportunities to support social economy and social enterprises through existing development, external action and neighbourhood policies.
4. The role of local governments is downplayed and there is need for more policy dialogue and capacity building that can inspire and enable local policy-makers to develop a favourable infrastructure for the social economy and social enterprises.<sup>65</sup>
5. Unutilised know-how and expertise within the EU institutions and Member States.



65 In some countries civil society organisations are restricted in the amount of trading they can conduct. Sometimes, philanthropic funding is geared only to non-profit organisations, which leaves social enterprises using other legal forms unsuitable for such support, or with no other legal form to suit their needs.

**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 and innovation funds 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;<sup>66</sup>*
- *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.*

Recommendation 13 urges the Commission and EEAS to ensure that in all their **regional and thematic programmes, partnerships and framework programmes**, social enterprises (as defined by the SBI) are eligible for funding and any other type of support. In the 2017 Annual Action Programme of the Partnership Instrument,<sup>67</sup> the **Service for Foreign Policy Instruments** should include the social economy and social enterprises as a new area of cooperation in the Europe 2020 cluster.<sup>68</sup> Moreover, social enterprises should also be acknowledged in the debate around economic diplomacy and the Commission should leverage on the SME Internationalisation Portal and integrate information on service providers with know-how and expertise on social enterprise development and growth.

**Dedicated funding** should be made available for technical assistance, seed-funding and development of financial products for the different stages of social enterprises' growth. These should support:

1. **Governments** in building capacity to develop adequate legal frameworks and procurement procedures, educational programmes, support mechanisms and monitoring systems for financial intermediaries and social economy enterprises and coordination platforms. It is also necessary to ensure that governments include the social economy and social enterprises in their strategies and plans as key drivers of poverty reduction, employment creation and transition from informal economy to decent work, conflict resolution, energy transition, inclusion, women empowerment and education. TAIEX (Technical Assistance and Information Exchange Instrument) should be reinforced and more broadly used across all third countries to spread soft intelligence on exemplary EU policies in the field. EEAS should create formal, transparent and aligned procedures through which EU Delegations can offer support as well as collect impact data on the local programmes funded by the EU.
2. **Networks, coordination platforms and local support organisations** in raising the visibility and recognition of the social economy and social enterprises, promoting exchange opportunities and providing capacity building to help these enterprises develop their vision of change and maximise impact, as well as accelerator and investment readiness programmes helping enterprises to access finance and scale-up. In the framework of the Working Party on Euro-Mediterranean Industrial Cooperation, the Commission should also discuss topping-up the budget dedicated to spreading

66 European Consensus on Development, [http://ec.europa.eu/europeaid/policies/european-development-policy/european-consensus-development\\_en](http://ec.europa.eu/europeaid/policies/european-development-policy/european-consensus-development_en)

67 Foreign Policy Instrument (FPI)

68 Taking advantage of the already existing «CSR» and «Decent work» projects in creating a global «Responsible businesses» priority of the Partnership Instrument.

social economy and social entrepreneurship practices in the region in the coming years and enhancing programmes such as Interreg BalkanMed or DG NEAR's upcoming EUR 5-million regional programme to support social businesses in the Southern Mediterranean.

3. **Public and private investors, fund managers and financial intermediaries** seeking to build an investment ecosystem in frontier markets and pilot new financial approaches and hybrid or blended instruments, **organisations developing tailored crowdfunding platforms** that can support these enterprises to generate impact with small amounts of risk capital, as well as **specialised financial institutions** such as the European Bank for Reconstruction and Development (EBRD) or the European Investment Bank (EIB), for the de-risking of social enterprise funding in the form of guarantees and first-loss cover that can attract private investors and move the market from charity to investment.
4. **The social economy and social enterprises in accessing finance**, with a key funding focus on concrete collaborations and replications of impact-proven models to avoid reinventions, capitalise on successful experience and foster North-South, South-South and South-North exchanges and solidarity. The Commission should take inspiration from the EIB and the Inter-American Development Bank's initiative to launch a common fund to support EU SMEs to enter the Latin American Market and vice-versa. The European Commission should assess the feasibility and, if deemed relevant, develop a similar fund that also integrates non-financial support and capacity building. This fund could help European social economy enterprises become international, and allow other social enterprises with innovative solutions to enter the European market in order to respond to current challenges, including in relation to socially responsible supply chains. Special attention should be given to collaboration tools in order to better address different scaling approaches and paths that social enterprises might opt for, as opposed to traditional enterprises' (organic) growth strategies.
5. **Educational organisations** teaching and supporting would-be entrepreneurs to thrive and have an impact in emerging markets. For example, more support should be provided to initiatives such as E4Impact which builds the capacities of local universities to provide top-level local MBA programmes to would-be social entrepreneurs in Africa, thus avoiding brain-drain and supporting the emergence of a local entrepreneurship culture. E4Impact develops nurturing ecosystems around a local university and involves financial players, international investors, experienced entrepreneurs, business partners and business support organisations. The programme is currently also developing a new service, connecting European enterprises looking to scale-up in Africa with local talent and engaging these companies to subsidise the training of local managers and entrepreneurs.

A more thorough analysis of what kind of initiatives the Commission already supports and could potentially support across all DG NEAR and DG DEVCO countries is strongly recommended. A list with additional examples of EU programmes which could be targeted at social enterprises and the social economy, along with ideas for new programmes, is available in the annex.

The European Commission/EEAS and the EIB is urged to **double the funding for Non-State Actor initiatives in third countries**. It should also reinforce the support already offered to civil society organisations in Western Balkan countries and Turkey through the People-to-People programme included in TACSO (Technical Assistance for Civil Society Organisations) and managed by DG NEAR, as well as in the Eastern Neighbourhood. Further support to aid representatives of these organisations to exchange with their European counterparts, as well as specific capacity building should be considered in all regions covered by EU programmes. EEAS should encourage Delegations to host European Social Business Summits, attracting investors and matching them with the most innovative social enterprises in a particular country.

Finally, the Commission is invited to analyse how the new round of free trade and investment agreements can impact the social economy and social enterprises, and how they could be leveraged to promote their activity and to present a public review of progress in implementing Key Actions 4 and 11 of the EC Communication "*A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries*", including key challenges and lessons learnt.

# ABBREVIATIONS

<b>ACP</b>	Africa, Caribbean and Pacific	<b>IESMED</b>	Innovation and Social Economy in the Mediterranean
<b>ASEAN</b>	Association of Southeast Asian Nations	<b>MedESS</b>	Mediterranean Social and Solidarity Economy
<b>BOP</b>	base of the (economic) pyramid	<b>MENA</b>	Middle East and North Africa
<b>BPQR</b>	best price-quality ratio	<b>MiFID</b>	Markets in Financial Investments Directive
<b>CECOP</b>	Confédération européenne des coopératives industrielles et de services (European confederation of industrial and service cooperatives)	<b>MS</b>	Member State
<b>CEPS</b>	Centre for European Policy Studies	<b>OECD</b>	Organisation for Economic Co-Operation and Development
<b>CSP</b>	Corporate Social Responsibility	<b>OECD LEED</b>	OECD Programme on Local Economic and Employment Development
<b>DCFTA</b>	Deep and Comprehensive Free Trade Area	<b>PEFONDES</b>	Euro-Mediterranean Network of Foundations for Social Economy
<b>DG DEVCO</b>	Directorate-General for International Cooperation and Development	<b>REVES</b>	Réseau Européen des Villes et Régions de L'Economie Sociale (European Network and Social Economy Cities and Regions)
<b>DG NEAR</b>	Directorate-General for Neighbourhood and Enlargement Negotiations	<b>SAARC</b>	South Asian Association for Regional Cooperation
<b>DIESIS</b>	European Research and Development Service for the Social Economy	<b>SBA</b>	Small Business Act
<b>EaSI</b>	EU Programme for Employment and Social Innovation	<b>SBI</b>	Social Business Initiative
<b>EEAS</b>	European External Action Service	<b>SCE</b>	Social Cooperative Enterprise
<b>EEN</b>	European Enterprise Network	<b>SDG</b>	Sustainable Development Goals
<b>EFSI</b>	European Fund for Strategic Investments	<b>SEFEA</b>	Société Européenne de Finance Ethique et Alternative (European Ethical and Alternative Financing Company)
<b>EIB</b>	European Investment Bank	<b>SEWF</b>	Social Enterprise World Forum
<b>EIF</b>	European Investment Fund	<b>SGEI</b>	Services of General Economic Interest
<b>ELTIF</b>	European Long-term Investment Funds	<b>SIA</b>	Social Impact Accelerator
<b>EMES</b>	EMES European Research Network	<b>SME</b>	Small and Medium-sized Enterprise
<b>ENSIE</b>	European Network of Social Integration Enterprises	<b>SSE</b>	Social and Solidarity Economy
<b>ERDF</b>	European Regional Development Fund	<b>TACSO</b>	Technical Assistance for Civil Society Organisations
<b>ESELA</b>	European Social Enterprise Law Association	<b>TAIEX</b>	Technical Assistance and Information Exchange Instrument
<b>ESF</b>	European Social Fund	<b>TFSSE</b>	UN Inter-Agency Task Force on Social and Solidarity Economy
<b>ESIF</b>	European Structural and Investment Funds	<b>UNCDF</b>	United Nations Capital Development Fund
<b>ESMA</b>	European Securities and Markets Authority	<b>UNDP</b>	United Nations Development Programme
<b>ESMED</b>	Euro-Mediterranean Network of Social Economy	<b>UNEP</b>	United Nations Environment Programme
<b>EU</b>	European Union	<b>UNFPA</b>	United Nations Population Fund (formerly the United Nations Fund for Population Activities)
<b>EuSEF</b>	European Social Entrepreneurship Funds	<b>UNRISD</b>	United Nations Research Institute for Social Development
<b>EVPA</b>	European Venture Philanthropy Association	<b>USAID</b>	United States Agency for International Development
<b>FPI</b>	Foreign Policy Instrument	<b>WISE</b>	Work Integration Social Enterprise
<b>GDP</b>	Gross domestic product		
<b>GECEs</b>	Groupe d'experts de la Commission sur l'entrepreneuriat social (Commission Expert Group on Social Entrepreneurship)		
<b>GSG</b>	Global Social Impact Investment Steering Group		
<b>ICRW</b>	International Centre for Research on Women		
<b>IDIA</b>	International Development Innovation Alliance		



# ANNEXES

- Annex 1:** Participants in the Expert Group.
- Annex 2:** On the concept of social enterprise in Europe.
- Annex 3:** EU-level research organisations studying social enterprises and the social economy.
- Annex 4:** EU-level networks and organisations supporting and representing social enterprises.
- Annex 5:** Improving access to funding: additional information on key specific recommendations and examples.
- Annex 6:** Legal issues: additional information on key specific recommendations and examples.
- Annex 7:** External relations: additional information on key specific recommendations and examples.



Supporting documents for the GECES report are available on the GECES website.  
[http://ec.europa.eu/growth/sectors/social-economy/enterprises/expert-groups\\_en](http://ec.europa.eu/growth/sectors/social-economy/enterprises/expert-groups_en)

## Annex 1: Participants in the Expert Group

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69 Names in bold are Member State representatives, names not in bold are substitutes.

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70 Names in bold are observers, those not in bold are substitutes.

<b>GOMES</b>	<b>Luis</b>		CoR (Committee of the Regions)
RENSTRÖM	Yoomi		CoR (Committee of the Regions)
<b>SCHWETTMANN</b>	<b>Jürgen</b>		UNTFSSSE
<b>BLANC</b>	<b>Lola</b>		ILGSSE
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IOAKIMIDIS*	Apostolos		
BRAUNLING*	Gerhard		
LAMBERT**	Erika		ENSIE
BUSSI**	Patricia		ENSIE
WOODMAN**	Paula	United Kingdom	British Council

\*Permanent invitee

\*\*Ad-hoc invitee

## Chairpersons

EUROPEAN COMMISSION			
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## Annex 2: On the concept of social enterprise in Europe

Social enterprises constitute a structural dynamic across all EU-28 but they have developed very differently from Member State to Member State: in some countries they have a strong presence, are recognised and integrated in public policies, while in other countries they are poorly developed and not well understood. Despite this strong variance, as the models and types of social enterprises continue to grow across Europe they have proven to be able to engage in many and varied general interest activity fields and tackle a variety of needs arising in society.

While discussions about the borders and limits of the concept of social enterprise will continue among social scientists, it is imperative to agree on a definition that allows for a solid contribution to the development of social enterprises by the European Union and public administrations at all levels.

There are several approaches when setting up a common concept or set of criteria aimed at avoiding unqualified or opportunistic practices while maintaining a certain degree of openness so as to not strain embryonic developments in underdeveloped regions or innovative fields of activity.

Therefore, according to the SBI (SEC(2011)1278), a social enterprise is *“an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities.”* This description takes into account the legal evolution that has taken place across different EU countries which have acknowledged social enterprises by defining their characteristics more clearly (even though some features may remain loosely defined). Moreover, this legal evolution is also consistent with the evolution of social enterprises in the field and the research that has been carried out in Europe since the 1990s on the topic by a growing community of scholars across the EU.

If requested by the stakeholders concerned, this definition could be revised in the future in order to follow the evolution of social enterprises and better reflect their concrete dynamics of emergence, development and consolidation across contexts. In any case, it is of utmost importance to support the organisational traits that constitute the true added value of social enterprises to society, making sure that they are protected and nurtured.

An important and historically European term that appears in the SBI definition is “social economy”. Probably most European social enterprises are rooted in the social economy, which covers all organisations whose major goal is to serve members or a larger community rather than to seek profit. The social economy relies on democratic decision-making processes, which provide a structural procedure to control the actual pursuit of the organisation’s goals. The organisations belonging to the social economy include associations, cooperatives and mutual organisations and, more recently, also foundations and social enterprises. The Charter of Principles of the Social Economy promoted by Social Economy Europe (formerly known as the European Standing Conference on Co-operatives, Mutual Societies, Associations and Foundations, CEP-CMAF) – the EU-level representative institution for these four forms of social economy organisations – underlines the following defining features of social economy organisations:

- The primacy of the individual and the social objective over capital.
- Voluntary and open membership.
- Democratic control by membership (does not concern foundations as they have no members).
- The combination of the interests of members/users and/or the general interest.
- The defence and application of the principle of solidarity and responsibility.
- Autonomous management and independence from public authorities.
- Most of the surpluses are used in pursuit of sustainable development objectives, services of interest to members or the general interest.

Therefore, not all social economy organisations can be considered social enterprises, as some of them conduct economic activity without a general interest objective and therefore do not meet the primary social objective requirement. Social enterprises seek, above all, to maximise the general interest or collective benefit dimension through the pursuit of an entrepreneurial or economic activity.

There are two additional terms that are usually brought into the discussion when talking about social enterprises, namely, “solidarity economy” and “third sector”. The former term refers to those economic activities in which social relations of solidarity have priority over individual interest or material profit. In other words, these organisations emphasise the political dimension involved in any economic activity and they are voluntarily subject to a determination to act democratically. As for “third sector” it is mainly used in the scientific literature to overcome the differences between the many national models. It refers to organisations other than those publicly owned and private for-profit ones. Therefore this term emphasises the intermediary nature of these organisations and, in most countries, it includes non-profit organisations, thus excluding cooperatives and other trading intensive social enterprises.

Looking at how social enterprises have emerged in Europe, we can conclude that the relevance of this new institutional arrangement could be considered as the result of four trends (the first two being converging transformational trends within the traditional social economy/third sector). These four trends are:

1. The turn toward more market-based strategies on the part of third sector organisations (e.g. associations) not involved in any trading activity.
2. The opening of the social mission of social economy organisations (e.g. cooperatives, mutual societies) to the wider community or society at large (general interest), going beyond their members’ interest.
3. The creation of organisations that have not emerged from the traditional social economy/third sector but that adopt a newly created social enterprise legal form.
4. The existence of *de facto* social enterprises driven by the mobilisation of a group of citizens, regardless of the legal form they adopt, (this will be determined by the specific legal system) which often remains invisible. These are locally rooted and enjoy a wide participation, thus making them more knowledgeable about how to access varied resource mixes.

In all, it is important to emphasise the fact that the term “social enterprise” cannot refer to any concrete legal form but to a wide array of legal entities (constituted under a variety of legal forms according to each national legal system) that share the three common dimensions but diverge in some other ones. For the current document, these common core dimensions are those included in the SBI Communication (social, entrepreneurial/economic, participatory governance) and they have been operationalised for the mapping exercises carried out at the EU level.

Just as when undertaking a mapping study in the scientific arena, policy-makers should accept that there may be some “grey areas” where it is more difficult to set the limit between a social enterprise and a traditional company combining, for instance, for-profit motives with social aims going well beyond an instrumental CSR strategy. Adding to the confusion, there is the fact that some new legal frameworks that include the label “social enterprise” do not *de facto* ensure that the organisation it refers to is a social enterprise or the only type of social enterprise possible in the given context. Considering that these nuances usually take form under a legal framework developed and implemented at the national or regional level, they cannot be addressed solely at the European level and should involve the commitment and participation of the public administrations concerned.

Beyond recognition and legal forms, an important issue has to do with the accountability of social enterprises, particularly with regard to the quality assurance of the services and products that they provide, as well as the managing of the organisation and participation of their stakeholders. In this context, transparent governance and public auditing are ways to ensure that they are accountable to their constituencies and society in general.

In general, social enterprises in Europe would benefit from maintaining and strengthening their ties with the social economy and solidarity economy, which constitutes the most frequent and natural milieu for social entrepreneurs. In fact, the social economy and solidarity economy have a proven track record in the preservation of their identity while interacting with the market, the public authorities and civil society.

One SBI goal aims to bring the social investment market to a readiness point where actors both on the offer and the demand side would be better informed and trust each other so as to make the field a real alternative for the social sector. However, regarding the financing of social enterprises, there seems to have been an overemphasis on private sources of capital, which in fact represent only a small portion of the financing currently required by these organisations. Social enterprises that provide services of general interest on behalf of public authorities (including work integration activities) should continue receiving public funding and support from the public sector. The type of financing that social enterprises require to ensure their economic and social sustainability depends on internal factors (e.g. life cycle) but it is heavily influenced *inter alia* by the types of goods and services – e.g. services of general interest or commercial services – that are provided (the required resource mix may vary substantially across fields), the legal frameworks available in the country where they are created or the presence or absence of social contracting practices in the local or national public administration. Indeed, many social enterprises continue to emerge with very few resources at their disposal and, regardless of their sustainability, their emergence and impact push the boundaries of what can be achieved to address a social challenge beyond the status quo and mobilise citizens in various capacities (e.g. volunteers).

**References:** SBI Communication (2011); Glossary produced for the update of the EU Mapping of Social Enterprise (2016) “The Breakthrough of Social Enterprise: Conceptual Clarifications” by Jacques Defourny and Marthe Nyssens in Alix, Nicole and de Nanteuil, Matthieu (eds.) *For an Economy of Trust in Europe: the Contribution of the Social and Solidarity Economy* (2014).

Produced by Rocío Nogales, EMES European Research Network, for GECES.

## Annex 3: EU-level research organisations studying social enterprises and the social economy

**Recommendation 1** emphasises the need to gather stronger evidence on the added value of social enterprises. Particularly, it advises prioritising research on the economic and social importance, as well as the dynamics, of social enterprises. Systematic data collection that can be compared across national contexts is an important aspect of this effort.

In recent decades, Europe has developed internationally-recognised scientific knowledge around social enterprise and the social economy. This research effort has come mainly from international academic networks based in Europe, bringing together national researchers associated with university research centres. However, more recently, a new trend can be observed in the form of umbrella and support organisations developing research units in order to monitor the evolution of its own members/targets and of the community in general.

In 1996, a team of researchers from different European countries began to observe the emergence of new institutional trends across the public and private sector and civil society across most European countries. Based on empirical observation, they carried out the first comparative research projects and developed a European approach to what they called “social enterprise” in connection with traditions such as the social and solidarity economy and the third sector. This was the beginning of EMES (EMES European Research Network) whose initial geographic focus on the EU-15 rapidly expanded to include the new Member States as they joined the EU and would later on become global. The initial emphasis on describing the main features of social enterprise gradually evolved into the study of its developmental and institutionalisation processes as well as its interaction with other actors and the interplay with public policies. Around 2,000 exchanges with North America, Asia and Latin America resulted in enriched exchange of knowledge among researchers. Some institutional members of EMES have also contributed European and international studies and reports such as EURICSE (the European Research Institute on Cooperative and Social Enterprises) and most of them play relevant expert roles in their own countries.

The initial research efforts were carried out under the auspices of the European Commission units working on employment, but later on research framework programmes would include social enterprises and social entrepreneurship as direct and indirect research topics. In this context, several waves of ground-breaking research were conducted, the first wave including projects such as EMES and PERSE, and the second one with projects such as SELUSI and SEFORIS. Research carried out in this context was instrumental in developing a solid understanding of the phenomenon of social enterprise in Europe and contributed significantly to the conceptual framework used in the SBI Communication. More recently, EMES’ ambitious International Comparative Social Enterprise Models (ICSEM) project aims to identify and analyse social enterprise models and their institutionalisation processes around the world. As of September 2016, ICSEM had brought together 200 researchers in 48 countries working to create, among other results, a social enterprises database representing the diversity of models worldwide. The EMES network has also become an important platform supporting and connecting postgraduate students across Europe and beyond with research interests related to social enterprises.

In addition to the various research programmes, studies on social enterprise have also been supported by international organisations such as the OECD and the UNDP. The first mapping study of social enterprise in Europe, commissioned by the European Commission, was completed in 2014 covering all 28 Member States plus Switzerland. An update was started in 2016, with seven countries covered (Belgium, France, Ireland, Italy, Poland, Slovakia, and Spain). Additional monitoring of social enterprise via national studies and barometers is currently taking place in countries such as Belgium, France, the Netherlands, Spain, and the UK. The UNDP also conducted the first mapping of social enterprise in Central and Eastern Europe and the Commonwealth of Independent States in 2008. Last but not least, the World Bank has recently mapped the social enterprise ecosystem in seven African countries.

As for the larger social economy, the international organisation CIRIEC (International Centre of Research and Information on the Public, Social and Cooperative Economy) was founded as early as 1947. Its focus was on the action of the public sector (including the State and local and regional public authorities), public and mixed enterprises, and the social economy in the economic field. In 2006, the European Economic and Social Committee commissioned the report “The Social Economy in the European Union” from CIRIEC, with a view to taking stock of the social economy in the 25 Member States. The report was published in 2008 and updated in 2012 with four new countries.

CIRIEC also coordinated efforts to develop a system of satellite accounts for social economy, with a handbook published by the European Commission in 2006. More recently, an EU-financed research project entitled “Third Sector Impact” has addressed the issue of statistically measurable definitions, including the one of social enterprise. The results, including an operational definition of social enterprise, are expected to feed into the revision of the UN *“Handbook on Non-profit Institutions in the System of National Accounts”*.

Gradually, universities and business schools began to establish research institutions devoted to the study of specific aspects related to the social enterprise universe, such as management, social impact measurement, interaction with other sectors, etc. Some examples include ESADE; ESSEC; GCU Yunus Centre for Social Business and Health; HEC-University of Liege Centre for Social Economy; Heidelberg University Centre for Social Investment; IE; IESE; INSEAD; NPO & SE Competence Centre of WU Vienna; Roskilde University Centre for Social Entrepreneurship; Skoll Centre for Social Entrepreneurship at Oxford University; Utrecht University Social Entrepreneurship Initiative; etc. It is worth noting the emergence of research networks focused on social enterprise at the national level (e.g. FinSERN in Finland or the IRIS network in Italy).

Likewise, PhD students working on topics related to social enterprise and the social economy have created their own networks, which are very active in trying to increase the connection of their object of study with society in general and developing career prospects for their members. Some active PhD networks include, at the European level, the EMES PhD Student Network and, at the national level, ones in France (connected to RIUESS), and Spain (REJIES, connected to CIRIEC-Spain), etc.

Beyond academic research, organisations supporting the social economy and social enterprise community (e.g. think-and-do tank Pour La Solidarité) produce substantial applied research at the European level. In the context of applied research, an interesting development has been the development of research functions within large organisations (e.g. Ashoka) as a way of monitoring the development of its own members and the evolution of social enterprises and social entrepreneurship and related sectors.

Based on the idea of the knowledge society and knowledge hubs, it is worth mentioning the emergence of organisations which – mostly in connection with social innovation themes – propose alternative approaches to research that are more user-driven and widely sharable (e.g. Oksigen Lab, Kennisland). Other transversal networks (such as the European Research Network on Philanthropy, ERNOP) have also studied social enterprises from their specific scientific perspectives.

## Annex 4: EU-level networks and organisations supporting and representing social enterprises

**Recommendation 2** argues that the social enterprise community needs more capacity to share knowledge and voice its views at EU level.

There are several organisations engaged in supporting and/or representing social enterprises and social entrepreneurship at the European level, either focusing on specific segments, or covering the field more generally. However, the landscape is rather fragmented.

Some networks and organisations have emerged specifically among social enterprise support organisations and have gradually developed their EU-level presence. Some other organisations and networks are rooted in the broader social economy tradition and have incorporated a social enterprise aspect in their focus, since this subject has gained importance in societies and at the EU level.

This non-exhaustive document provides examples of EU-level networks and organisations involved in representing or supporting social enterprises in an EU context in addition to organisations from the side of social finance. It does not include research institutions or networks.

- **Ashoka** is one of the largest global networks promoting social entrepreneurship with focus on individuals as change-makers. With almost 500 social entrepreneurs selected as Ashoka Fellows in Europe and 3,300 in the world, Ashoka has increasingly been active in the European context promoting capacity building, cross-sectorial networking and scaling of social enterprises' impact. <http://ashoka.org/>
- **CECOP-CICOPA Europe** is the European confederation of industrial and service cooperatives. It affiliates 26 members in 15 European countries, comprising organisations promoting and representing cooperatives, including social cooperatives. <http://www.cecop.coop/>
- **COOPERATIVES EUROPE** is the voice of cooperative enterprises in Europe. It has 84 member organisations from 33 European countries across all business sectors, promoting the cooperative business model in Europe. <https://coopseurope.coop/>
- **DIESIS**, the European Research and Development Service for the Social Economy, supports the development of social economy, including social enterprises, through knowledge-based activities, such as training, project design, consultancy and advisory services, technical assistance and research. <http://www.diesis.coop/>
- **EACB**, the European Association of Cooperative Banks, represents 4,200 locally operating cooperative banks, 81 million members and 860,00 employees, which act as drivers of local and social development in European regions. Cooperative banks serve, through 68,000 outlets, 205 million customers, mainly social economy organisations, other SMEs, consumers and communities. <http://www.eacb.coop>
- **ENSIE**, the European Network of Social Integration Enterprises, supports and represents work integration enterprises, which constitute an important traditional segment of social enterprises. ENSIE brings together national and regional networks of work integration social enterprises, covering currently 19 EU countries as well as Serbia and Switzerland. ENSIE receives an operating grant from the EU programme EaSI. <http://www.ensie.org/>
- **ESELA**, the European Social Enterprise Law Association, is a network of law firms, legal experts, academics and others specialising in social enterprise-related legal aspects. ESELA's aim is to promote a better understanding of the relationship between law and social enterprise across Europe and globally. ESELA partly emerged from the work carried out in the context of European Commission's EU-level mapping of social enterprise ecosystems. <http://esela.eu/>

- **EUCLID** Social Enterprise Network is a recently created EU level platform of national social enterprise support organisations, such as Social Enterprise NL or Mouvement des Entrepreneurs Sociaux (FR). It focuses on reinforcing the capacity of its member organisations through EU-level cooperation, research, knowledge sharing, awareness raising and advocacy. It covers 10 European countries. It is coordinated by EUCLID, an EU-level network of third sector leaders. The EUCLID network receives an operating grant from the EU programme Europe for Citizens.  
<http://www.euclidnetwork.eu/membership/euclid-social-enterprise-network.html>
- **European Social Franchising Network** promotes the concept of social franchising and raises awareness about its benefits as one of the ways to scale-up the impact of social enterprises. It advocates for a positive environment for the development of social franchising. The network originated from the cooperation established in the context of the EU programme EQUAL. <http://www.socialfranchising.coop/about-us>
- **EVPA**, the European Venture Philanthropy Association, is a membership association established in 2004 and made up of organisations interested in or practicing venture philanthropy and social investment across Europe. EVPA defines Venture Philanthropy as an approach to building stronger social purpose organisations (including social enterprises) by providing them with both financial and non-financial support in order to increase their societal impact. Currently the association has over 210 members from 29 countries, mainly based in Europe. EVPA receives an operating grant from the EU programme EaSI. <http://evpa.eu.com/>
- **FEBEA**, the European Federation of Ethical and Alternative Banks and Financiers, is a European wide federation of ethical and social finance institutions. Through the activities of its members and its own initiatives, the Federation supports social finance, social economy entrepreneurs and all who work for the development of a fairer, more sustainable and more inclusive society. <http://www.febea.org>
- **IMPACT HUB** is a global network of social business and innovation incubators, supporting the start-up and development of social enterprises. Recently eight HUBs in Europe jointly organised a scaling-up programme for social enterprises, partly funded by the EU framework programme for research. <http://scaling.impacthub.net/about/>
- **INAISE**, the International Association of Investors in the Social Economy, is a global network of socially and environmentally oriented financial institutions. Through INAISE, social investors from all over the world have been joining forces to exchange experience, disseminate information and show that money can actually be used to achieve positive social and environmental change. <http://www.inaise.org>
- **ISB**, the Institute for Social Banking is a non-profit association, promoting a socially oriented finance sector through education and research on Social Banking and Social Finance. Only organisations closely linked to Social Banking can become members of the Institute for Social Banking. The Institute promotes a concept of finance and banking that is responsible ethically, socially and ecologically. <http://www.social-banking.org>
- **REVES**, the European Network of Cities and Regions for the Social Economy, promotes the development of social economy in partnership with public authorities. It cooperates with local and regional development agencies and is engaged in capacity building and training of managers of social economy organisations and social enterprises.  
<http://www.revesnetwork.eu/wp/>
- **Social Economy Europe** is a broad EU-level organisation representing traditional social economy entities, namely mutual societies, associations, foundations and cooperatives. It focuses notably on EU-level advocacy. Its 13 members comprise both EU-level and national organisations representing various types of social economy organisations.  
<http://www.socialeconomy.eu.org/>

There are some transversal networks that have played an intensive role in promoting the role of social enterprises in Europe. It would be impossible to include all of them here, so we have named only a few: Social Platform, Social Services Europe, etc.

# Annex 5: Improving access to funding: additional information on key specific recommendations and examples.<sup>71</sup>

## 1. Improving capacity building to help social enterprises find, attract and communicate with funders

**Recommendation 4:** Increased resources should be provided 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.

It is important to develop these services within the social enterprise communities themselves or in close cooperation with them.

Further details for this recommendation are as follows:

- For the set-up of a pan-European investment and capacity building programme, the European Commission is invited to review the UK example:

*The UK £10-million Investment and Contract Readiness Fund, managed by Social Investment Business on behalf of the Office for Civil Society, enabled social ventures to access new forms of investment and compete for public service contracts. The fund offered grants to help social ventures purchase specialised investment / contract readiness support. Working in partnership with an approved provider was crucial to the success of each application. Grants between £50,000 and £150,000 were available on a rolling basis to ambitious social ventures who went on to raise at least £500,000 investment, or who wanted to bid for contracts over £1 million.<sup>72</sup> The fund was dedicated to helping charities and social enterprises acquire the skills they needed to raise investment and compete for public service contracts. A recent report for the G8 identified it as a vital tool to grow the UK social sector, which already contributes more than £80 billion to the economy each year.<sup>73</sup>*

- For the financing of specialised social enterprise incubators/accelerators, Member States are encouraged to look for the following characteristics:
  - Run by professionals with sector experience and a track record of successfully supporting (social) entrepreneurs;
  - Provide clear incentives (e.g. financial awards that would help social enterprises to achieve success) for coaches and social entrepreneurs to achieve success together;
  - Are connected to networks of professional service providers for mentorship, low or pro bono support;
  - Are connected to networks of investors or funds that are suited to social enterprises that 'graduate' from the programme;
  - Focus on building a sustainable business model so that it becomes less dependent on external funding.

<sup>71</sup> Further clarifications, best practices and examples are provided in the GECEs Subject Paper on *Improving access to funding*.

<sup>72</sup> <http://www.beinvestmentready.org.uk/>

<sup>73</sup> <http://www.sibgroup.org.uk/beinvestmentready/>

- For the use of ESIF to fund capacity building activities at Member State level, the Commission should encourage Member States to make use of the social economy and social enterprise investment priorities of the ESIF, to develop support mechanisms for development and scaling-up of social enterprises, capacity building, and development of partnerships between public authorities, financial institutions, businesses and social enterprises. The following points are highlighted:
  - ESIF should be more homogeneously implemented in EU Member States regarding social enterprise development. The EU should encourage Member States to make use of this investment priority for the ESIF. In the case of the European Social Fund, it is the thematic objective “promoting social inclusion, combating poverty and any discrimination” (regulation EU 1304/2013, art. 3). In the case of the European Regional and Development Fund, it is investment priority 9.c “promoting social inclusion, combating poverty and any discrimination by... providing support for social enterprises” (regulation EU 1301/2013, art. 5).
  - Raise awareness among social enterprises that they can get direct access to funds also within the framework of investment priorities not tailored to them, and provide concrete advice to social enterprises on how to access public funding. For the ESF, relevant investment priorities for social enterprise include thematic objectives ‘promoting sustainable and quality employment’, ‘investing in education, training and vocational training for skills and life-long learning’ and ‘enhancing institutional capacity of public authorities and stakeholders and efficient public administration’; and for the ERDF investment priorities on supporting the shift towards a low-carbon economy, the promotion of climate change adaptation, preservation and protection of the environment and promotion of energy efficiency...).
  - Use ESIF to improve service provision by social enterprises and investment in quality social infrastructure, (e.g. the re-adaptation of the built environment to accessibility criteria for persons with disabilities, and the refurbishment of social housing buildings to make them energy efficient) and services (e.g. to develop quality criteria for specific services; to design training pathways for the workforce on specific users’ needs; to design and pilot new services; to adapt existing services to the needs of specific target groups; to develop methodologies to involve users in the design, implementation and monitoring of services; and to spur innovation).

## 2. Unlocking and attracting more funding that is better suited to social enterprises

**Recommendation 5:** Implement concrete measures to unlock and attract more funding that is better suited to social enterprises.

- To increase the awareness and understanding of social enterprise among the broader funding community, the European Commission should review the following more detailed recommendations:
  - Organise awards for pioneering funders, networking events and trainings for the broader funding community, and help disseminate best practice work from the impact community.
  - Showcase examples of cooperative or community/ethical banks that provide special credit policies for social enterprises (longer repayment times, no collateral asked, etc.), e.g. via a dedicated European database published on a COM website.
  - Showcase best practice of public funding of social enterprise to be replicated, e.g. via a dedicated European database published on a COM website that is updated by Member States or sub-contracted to organisations who are much closer to the sector. Also consider analysing examples of failed support. Moreover, the Commission should provide Member States and local authorities with the opportunity to receive one-on-one support in adapting the model to the local context.
  - Bring EU banks and investors together in a social impact investment platform for social enterprises on a specific societal challenge (for example directed towards migrants or youth employment). This may be done as a call for tender.
  - Provide finance administrators in the Member States with guidance, training and capacity building regarding EU instruments supporting social enterprise, e.g. by investment readiness programmes to build applications on.
  - Facilitate and promote (at EU and Member State level) the emergence of investment teams specialised in equity or quasi-equity in social enterprise, by mobilising public or private funding and/or positively communicating about these investment supports.

- GECES recommends that organisations representing the social enterprise funding community should:
  - Support the development of a **social investment culture** by collecting best practices from social enterprise funders (impact community) and, *with the help of the European Commission*, disseminating these among the wider funding community, thereby removing barriers to action.
    - Continuously (not just intermittently) map domains of action and the funding sources (private and public) in each, and stimulate and make connections among different actors in the ecosystem.
    - Develop practitioner-led guidelines that can feed into legal frameworks to encourage sector growth
  - Use the European Investment Project Portal to increase visibility and transparency in the investment market for social enterprises and help build a pipeline of investment-ready social enterprises. However, most social investments do not meet the criteria for EIPP as it requires a EUR 10-million project size, although aggregated projects could easily meet this minimum threshold. A subset of the portal should be adapted so that it is more suited to social business projects.
  
- To enhance the suitability criteria of investment in social enterprise, the Commission should:
  - Develop the requirements for Suitability under the Markets in Financial Instruments Directive (“MiFID”) to address social and socially-focused investment. This should be based around five key areas:
    - defining social investment and socially-focused investment (using the previous work of GECES and the G8 Social Impact Investment Taskforce);
    - requiring that they indicate the extent to which, if at all, they:
      - are willing to sacrifice financial returns for social benefits;
      - prefer social or socially-focused investments when deciding between investments offering similar financial return;
    - depending on the outcome (i.e. if social investments are suitable for the investor):
      - requiring that all investors are made aware of social and socially-focused investments as an opportunity – they then decide whether to include such investments in their portfolios, or to exclude them;
      - requiring that they decide whether to exclude investments that are not social or socially-focused.
  - Work with ESMA to develop practice guidelines to support and develop this area [consider recommendations regarding funding of this work].
  
- And Member States should:
  - Through their Financial Services regulator, and in conjunction with the relevant professional bodies, introduce new, or develop existing, competency frameworks for advisers and fund managers to cover social and socially-focused investment.
  - Through their Financial Services regulator, and in conjunction with the relevant professional bodies, develop standards and practice in relation to:
    - determining the general suitability of social and socially-focused investments;
    - approaches to determining what part of a client’s invested assets are to be considered eligible for such investment;
    - the development of appropriate suitability questionnaire templates;
    - the development of appropriate controls and systems for regulated advisers and managers;
    - treating such investments as an integral element of advice about the “Whole of Market”, so that unless clients are made aware of these, they may be considered not to have been appropriately advised.

For the European Commission to undertake consultations as to whether other Member States could replicate the French solidarity-savings schemes.

*French solidarity-savings schemes: these have been developed and generated great interest in France. Currently over 1 million solidarity savers in France choose to place their savings in three main solidarity saving channels (which represents 1.5 million subscriptions), adding up to EUR 6.8 billion (at the end of 2014). One of these channels, a solidarity saving-scheme obliging (since 2008) companies with more than 50 employees to offer their employees a “90/10 Solidary Fund”, is attracting particular attention. This scheme, according to which employees can choose to dedicate a minimum of 5% and maximum of 10% of their savings to eligible social enterprises, is currently being considered for an eventual application in other European countries and / or types of funds (insurance, pension, etc.).<sup>74</sup>*

- The current revision of the EUSEF regulation<sup>75</sup> should be devised in such a way that it provides clear benefits, while reducing the current costs for the fund manager, with the objective of generating the further set-up of social investment funds across Europe (rather than creating an additional barrier). GECES recommends that the European Commission should:
  - Ensure that the **social objective** enshrined in the EuSEF label is safeguarded.
  - **Broaden the scope** of the definition of social undertakings - GECES recommends using the definition of social enterprise from the SBI communication<sup>76</sup> to define social undertakings.
  - Study the possibility of linking **proven social impact** with tax **incentives** for the investors/investees of the EuSEFs (to increase the benefits of the EuSEF).
  - Adopt the **proportionality principle** and make sure that the cost of applying for the EuSEF label is kept to a minimum, as most eligible EuSEF-funds remain limited in size (around EUR 15 million).
  - Map the **implementation status** of the EuSEF Regulation among the various National Competent Authorities (NCAs) and provide further **guidance / training** to national officials, according to their needs, in order to streamline and ease the registration requirements across Europe.
  - Consider setting the **commitment threshold for non-professional investors below EUR 100,000**, given the legitimate appetite of **retail investors** to support social enterprises, provided it doesn't impose extra constraints to registered EuSEF-funds (investors' protection, marketing, etc.).
  - After a successful revision that incorporates the recommendations listed above, which should increase its attractiveness as a funding vehicle, encourage the various EIF initiatives to support social enterprise finance (Social Impact Accelerator, etc.) to promote the adoption the EuSEF-label, so that it can act as a catalytic investor.
- To identify the boundaries between (regulated) philanthropy and regulated investment promotion to provide lighter regulation for donative intent investment. There is scope for developing a three-aspect market to reflect fairly investors' preferences and risk sensitivities:
  - i. Philanthropy, with low or zero regulation;
  - ii. Full market-regulated investment (in which the rules applying to promoting investments in retail markets apply);
  - iii. Socially-preferred, risk-insensitive investment, or perhaps smaller investments, in which investors taking a donation-risk attitude are protected by a lighter regime that is lower cost. This third area does not exist in the markets at the moment, with the exception of some emerging flexibility for crowdfunding, with the result that this area of investment support for social enterprise is being curtailed by excessive regulation and the consequent costs.
- For the mapping of the diverse landscape of tax incentives in Member States, the areas warranting further consideration are as follows:
  - i. Gift aid or other tax relief for individual taxpayers giving money or other assets to non-profits or some form of social enterprise: This would benefit from a further review of the corporate forms for embracing social enterprise in a way that does not create a false market advantage for trading entities. A possible solution is to have “NGO certificates” which allow individual donors to identify “reliable” NGOs (only with these will it be possible to get tax relief, e.g. in Austria).

74 Zoom sur la finance solidaire 2015, Finansol (see: [www.finansol.org](http://www.finansol.org)), Good pensions – Introducing social pension funds to the UK, Big Society Capital, September 2015, The hows and whys of social impact investing - Financial innovation driving social innovation, French National Advisory Board (NAB) on Impact Investing, January 2015.

75 Based on EVPA's response to DG FISMA's consultation on the EuSEF

76 <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0682:FIN:EN:PDF> pages 1-2.

- ii. The UK's Social Investment Tax Relief, and the equivalent French tax relief for investments in SMEs and social enterprises.
- iii. The availability of tax-exempt status for charitable and other asset and mission-locked entities (social enterprises).

### 3. Putting in place mechanisms and infrastructure that encourage more public funding and mobilise private funding

**Recommendation 6:** Public funding should continue to be directed at social enterprises, especially when public authorities outsource to them the provision of essential services of general interest, and also be used to mobilise private capital, through investment in and de-risking of social enterprise funders, as well as by putting proper governance structures in place.

- The section in the report provides an overview of the recommendations related to the funding instruments provided by the EC (or EIB/EIF). Below, the section is expanded with more details related to examining and optimising existing instruments provided by the European Commission (or EIB/EIF) to enhance funding volumes and raise the quality of social enterprise funding offered by financial institutions/intermediaries and investors:
  - EaSI and/or EFSI - the assessment requests that current programmes be adapted or enhanced to improve their usability for financial institutions / intermediaries. Specifically, this implies the following:
    - Continue to further enhance EaSI's use of guarantees to financial intermediaries to provide funding to social enterprises. Concrete examples include: long-term funding, application / use of guarantees, interest even in lower portfolio volumes applied for, covering short term funding as overdrafts / bridging loans.
    - The funded investment for part II of EaSI should still focus on support of early-stage social enterprises with financing needs between EUR 100,000 and EUR 500,000. Concretely, this involves long-term loans, co-investment schemes and direct investment, focusing on equity and quasi-equity.
    - Make sure the eligibility criteria of EaSI also includes social impact investment and venture philanthropy funds as eligible intermediaries, especially the ones providing small direct investments of between EUR 100,000 and EUR 500,000.
    - Design a co-investment scheme (tailored to the needs of the social enterprise) at European level with social impact investors getting a 20% non-refundable rebate (out of their 100% investment) for investments in social enterprises (where investments include both equity and mezzanine financing), in compliance with applicable State Aid rules. This would allow for increased individual transactions for social enterprises.
  - For the use of ESIF, to develop and test joint financing support schemes that combine grants, loans, guarantees and other financial instruments. Furthermore, to co-fund joint financial instruments by pooling different types of public and private sources, including savings and crowdfunding, and further exploring synergies between ESF and ERDF. Best practice examples can be found in the Subject Paper. Within the framework of the structural funds, two types of interventions can be distinguished: the first situation is when social enterprises get direct access to ESIF to carry out specific projects; the second is when ESIF are used to build the ecosystem for the development of social enterprises.
- Related to the development of complementarities between public and private funding, and specifically the market-building role of the public sector, public investors should support private investors in taking more risk or in getting a different return on investment than if only the private sector were involved. Examples of the public sector de-risking private investment capital are as follows:
  - Tiered instruments/funds/multiparty structures – could combine public and private capital (first loss; guarantees). These may be either hybridised in individual instruments (e.g. a blend of philanthropic funding, as grant or first loss investment, and development funding on a later draw-down), or in grouped, multi-party solutions (e.g. states taking first loss, guarantee positions – EaSI and others, or pathfinder positions to stimulate leveraged investment pools, and Big Society Bank-type arrangements);
  - Risk sharing mechanisms - Social Impact Bonds. SIBs:
    - combine public sector contingent outcomes payer with private sector risk-accepting investor;

- returns linked and contingent on measurable outcomes
- Risk-sharing mechanisms other than SIBs: This is core to the operation of any financial market, but also a key aspect of the development of the social investment and finance market;
- Catalytic funds/leverage funds/market builder funds (BSC for example).

# Annex 6: On legal issues: additional information on key specific recommendations

## 1. Helping Member States to create a legal and regulatory framework for social enterprises

GECES believes that the Commission should play a pro-active and inspirational role and prepare a dedicated strategy in this field. The strategy to be proposed should take the form of a **recommendation**<sup>77</sup>, which is a non-binding regulation in order to help Member States build an adequate and appropriate ecosystem for social economy, so as to unleash the full potential of social enterprises. Standards, guidelines and principles, comparative reports or best practices may be included in the recommendation as suitable instruments to be used when developing possible national frameworks.

The European Commission's recommendation should first invite Member States, if they wish, to include the following in the general objectives of any legal framework:

- to recognise the specific contribution of the social economy, and social enterprises in particular, to the socioeconomic development of a Member State, in numerous sectors of activity;
- to recall the guiding principles and values of the social economy;
- to highlight the fact that creation of public policy should involve cooperation between economic actors, civil society actors, and Member States at different level of territorial governance to develop (co-construct) and operationalise (co-produce) policies centred on the general interest.  
These practices provide a major opportunity for democratising public policy-making by introducing forms of governance based on the participation of different parties in the scheme.
- to mention that by establishing such a framework, policy-makers will adopt a systemic vision of the contribution that they can make to growth, competitiveness and social cohesion.

Secondly, the Commission's recommendation should refer to the three following core elements:

- **legal forms** to be contained in the framework. Legal forms to be recognised as social enterprises should:
  - have clear provisions on its social objective and its entrepreneurial activities;
  - clearly express how to structure its capital and return on capital with the principle of non-distribution – or limited distribution – of surpluses/profits and their statutory use to achieve the social objective;
  - indicate the allocation of decision-making powers in its statutes and the means of protection against operations that are inconsistent with the social objective;
  - indicate a broad representation of stakeholders, and their participation;
  - express how it intends to combine monetary and non-monetary resources, and to employ voluntary and salaried workers;
  - mention the duty to provide members, stakeholders and third parties with information based on a principle of fairness, openness and transparency;
  - define the mechanisms for internal and external control designed to ensure that the social objective and operational principles are respected.
- **policy measures** initiated at different levels of national, regional and local administration to stimulate the development of the social economy and social enterprises (e.g. through funding, fiscal exemptions, social clauses in public tenders);

<sup>77</sup> A category of legal measures explicitly provided for in the Treaties is recommendations and opinions. They enable the Union institutions to express a view to Member States, and in some cases to individual citizens, which is not binding and does not place any legal obligation on the addressee. In providing for legal acts of this kind, the drafters of the Treaties anticipated that, given the authority of the Union institutions and their broader view and wide knowledge of conditions beyond the narrower national framework, those concerned would voluntarily comply with recommendations addressed to them and would react appropriately to the Union institutions' assessment of a particular situation. Not to be confused with recommendations proposed by experts in the group.

- **instruments** to structure a favourable and coherent institutional context for the development of the social economy and social enterprises (promoting their image, developing education schemes and specific skills, improving data and knowledge, developing appropriate partnerships between public authorities and social enterprises, business and capacity building support and associations/federations of elected bodies).

## 2. Inserting social clauses in public procurements in Europe

**Recommendation 9** focuses on public procurement, which is a significant tool of the Single Market as it represents 14% of the GDP of the European Union, spent by the public sector and utility service providers on public works, goods and services. Given its huge economic weight, public procurement is a powerful instrument to pursue broader policy objectives, including social and environmental policy goals, and foster growth and innovation in the EU. The revised EU Public Procurement Directive<sup>78</sup> set out the rules under which public bodies purchase goods, services and works, and aim to guarantee equal access to and fair competition for public contracts within the EU market.

### What's new in the Directive?

- Moving away from the logic of the lowest price. Public purchasers are encouraged to consider the qualitative aspects as well as the process by which the goods, services and specific work they intend to purchase are produced. They can do so by including performance or functional requirements, quality criteria, social and environmental considerations, innovative aspects at different stages of public procurement procedures: technical specifications, contract award criteria and contract performance clauses. Overall, the goal is to encourage fair competition and provide better value for money, focusing on quality criteria, as well as the innovative nature of the offers. In addition, contracting authorities may require that works, supplies or services bear specific labels certifying environmental or other characteristics of the product or service.
- The ability to reserve markets (i.e. Article 20 and Recital 36). Market reservation restricts access to the procurement procedure to certain categories of enterprises (sheltered workshops and economic operators whose main mission is the social and professional integration of persons with disabilities and other disadvantaged persons). It is possible to reserve markets to structures and enterprises fulfilling these characteristics in public procurement procedures concerning all types of works, services and supplies. Under the directive, at least 30% of the employees at these specific enterprises and structures must be persons with disabilities or other disadvantaged persons.
- Compliance with applicable legislation. A cross cutting “social clause” (A.18) requires Member States and public authorities to ensure compliance with the social and labour obligations in force at the place where the work is carried out or the service is provided.
- A simplified regime for certain social services, cultural and health services. Some specified services now benefit from an increasingly simplified regime, with higher thresholds and an encouragement to award contracts on the basis of the best price-quality ratio, to take into account quality criteria, instead of the lowest price or cost. The directive also requires Member States to define national rules for awarding contracts for these services, to ensure transparency and equal treatment of economic actors as well as taking into consideration the specificities of these services. The use of the voluntary European Quality Framework for social services when defining quality criteria in social service provision is recommended (i.e. **Recital 114**).
- The possibility to reserve contracts for certain social, cultural and health services to non-profit organisations and social services fulfilling the criteria laid down in Article 77 for a period of three years. In this way, it is possible to value the provision of these services by non-profit organisations or social economy organisations which, in some Member States,

<sup>78</sup> The three Directives are: (1) Directive 2014/24/EU on public procurement, (2) Directive 2014/25/EU on procurement by entities operating in the water, energy, transport and postal services sectors and (3) Directive 2014/23/EU on the award of concession contracts.

represent a long tradition and are a feature of the welfare system. The Group, however, notes that it is important that Member States pay attention to the fact that the possibility of reserving contracts only for three years is too short to guarantee the long-term care relationships needed to ensure good service from the end-users' point of view.<sup>79</sup>

- The Working Group estimates that it is clear that long-term benefits of adopting a more socially responsible procurement policy should be a **priority for** public purchasers from Member States. They should make the utmost of the different possibilities offered by the new Directives as well as reinforcing and diffusing best practices in the field.

## Where/when to incorporate social aspects in the tendering procedure?

GECES is of the opinion that there is more or less scope to address social issues, depending on the stage of the public procurement process. Contracting authorities should therefore take care in evaluating when they wish to include social clauses in tendering exercises. The inclusion can take place either:

- When identifying the need, approaches and considering the market (pre-procurement);
- When deciding the requirement – specification stage (Article 42 and Recital 74);
- When selecting suppliers to invite to tender – selection stage;
- When awarding the contract – award stage (Article 67 and Recitals 97-99 on “contract award”);
- In the performance of the contract – contract conditions and relationship management (Article 70 and Recitals 98-99).

In order to include social clauses, political momentum is necessary. Therefore, it is of the utmost importance to set up an adequate national/regional institutional framework that incentivises the integration of social clauses in public procurements. Social clauses can generate reluctance in administrative services because they are not well known. Contracting authorities must communicate internally to clarify that social clauses do not necessarily create extra work, costs or additional time for the contracting authority and the tenderer. Therefore dedicated training for public procurement officers and services working with them is a good way to raise awareness. If a contracting authority must know where/when to use social clauses in the process, it has to know how to use them as well.

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<sup>79</sup> In Finland, this restriction to three years was considered to be a kind of a problem for enterprises as well as for their customers, and therefore the possibility was not taken (cf. “the MS may”). In the social and healthcare system, customers often need and want quality long-term services that are stable and in which they trust. Finland is able to use social clauses but is not bound to the three year contract limit, which sometimes can be considered too short for long-lasting work and entrepreneurship. This is to guarantee high-quality services to the citizens in need of them.

## Annex 7: External dimensions: additional information on key specific recommendations and examples

**Recommendation 11.1** argues that a major research initiative should be launched by the European Commission together with other global partners, including a mapping of the transnational investment programmes that can be accessed by social enterprises and other social economy organisations. It is important to ensure that the results of this mapping are published in a user-friendly open source online visual map and database to be continuously updated by a carefully selected community of funders and practitioners committed to this initiative, supported by a designated staff. In addition to providing key information to funders and donors, such a mapping could prove useful to social entrepreneurs and support organisations looking for funding and capacity building. For this, GECES recommends that continuous feedback loops are created by engaging the EU delegations in disseminating the results in their territories and to social enterprises, and informing them about concrete funding opportunities while also gathering important data from practitioners benefitting from support. Below there are some examples of funding programmes supporting social enterprises outside the EU. More detailed cases can be found on the GECES webpage.

### GLOBAL INNOVATION FUND

GIF is a fund launched in 2014, managed by the Omidyar Network, and supported by the Department of International Development in the UK, the United States Agency for International Development, the Swedish International Development Cooperation Agency and the Department for Foreign Affairs and Trade in Australia. GIF supports any form of organisation provided their social innovations aim to improve the lives and opportunities of millions of people in the developing world. Their goal is to scale innovations backed by rigorous evidence with potential to scale. To date, the partners have pledged over USD \$200 million over the next five years, to be invested in the form of grants, loans (including convertible debt), equity or any other instrument. They offer financing of from USD \$50,000 to \$15 million, depending on the stage of the project. In addition to financial support, GIF also provides investees with access to their global network, technical assistance and bridges to follow-on funding.

### IIX GROWTH FUND

IIX GROWTH FUND is a fund launched in 2014 by the Impact Investment Exchange Asia (IIX), meant to address the gap in certain underserved markets in South and Southeast Asia between the growing number of promising social enterprises seeking investment capital to scale and the small numbers of existing funds able to provide growth equity capital in these markets. The IIX Growth Fund invests in innovative impact enterprises (i.e. organisations which deliver both significant, measurable positive social and environmental impact and financial returns) at early growth and scale up stages with a focus on underserved markets.

The target fund size is USD \$50 million and the fund focuses primarily on four sectors – energy, food and agriculture, healthcare, and education, prioritising investments in organisations run by or primarily benefitting women. IIX Growth Fund makes equity and quasi equity Investments of USD \$250,000 to USD \$5 million for a period of four years.

### UN SOCIAL IMPACT FUND

UNSIF is a Social Impact or Blended Financing platform launched in 2015 by a partnership between UNEP, UNCDF, UNFPA and UNDP with selected philanthropists and institutional and private sector investors. UNSIF is hosted by the UNDP Bangkok Regional Hub. The aim is to invest in expanding the Impact Ecosystem by leveraging traditional overseas development assistance (ODA) with complementary capital market investment of debt and equity from a new breed of development financiers. UNSIF is in the process of initial capitalisation and aims to target over 170 developing countries. The fund will contribute to the achievement of 10 priority Sustainable Development Goals by supporting grant capital, as well as debt, equity and guarantees, impact oversight and expertise to subsidiary social impact funds which then support social enterprises in these areas.

## COOPMED FUND

The CoopMed initiative was launched by Crédit Coopératif in 2016, building on the CoopEst Fund, active since 2006. The fund is managed by Inpulse, a subsidiary of Crédit Coopératif and has a budget of EUR 11 million with EUR 20 million expected in 2017, involving 15 investors (mainly mutual insurance, bank cooperatives, public institutions) including SEFEA, EIB (EUR 2 million), Macif, Up Group, Solimut Mutuelle de France (EUR 500,000), Mutac (EUR 200,000) and others. CoopMed focuses on nine Southern Mediterranean countries and plans to add Libya and Syria upon lifting of international restrictions. The Fund provides subordinated (long term five to seven years) and senior loans (middle term, from two to three years) of EUR 200,000 to EUR 2 million per institution to financial intermediaries (such as microfinance institutions, mutuals, local banks and other intermediaries) and targeted expertise in the area of social finance and social performance and impact measurement. The intermediaries can then invest in cooperatives, micro entrepreneurs and SMEs, mutual subscribers, social enterprises or associations managing economic projects in the social and solidarity area, depending on the type of intermediary.

## ACUMEN FUND

Acumen is a non-profit organisation launched in 2001 with seed capital from the Rockefeller Foundation, Cisco System Foundation and three individual philanthropists. Currently, Acumen's investors and advisors include also the Bill & Melinda Gates Foundation, Google.org and the Skoll Foundation. The Fund invests patient capital in early-mid stage companies in the process of scaling which provide reliable and affordable access to agricultural inputs, quality education, clean energy, healthcare services, formal housing, and safe drinking water to low-income customers in East Africa, West Africa, India, Pakistan or Latin America. Non-profit companies are eligible but they must have a revenue generating activity to be financially sustainable. They typically invest between USD \$250,000 to \$3 million in equity or debt with payback or exit in roughly seven to ten years. Acumen's total asset was in 2014 was USD \$108.2 million and in 2016 it has already made investments of over USD \$101 million. Acumen also provides pre-investment guidance and post-investment management support and provides short-term direct management support through the placement of consultants or staff with investees.

## SOCIAL ENTERPRISE DEVELOPMENT PROGRAMME

The Social Enterprise Development Programme was launched in 2015 by the World Bank Group and the South Asian Association for Regional Cooperation Development Fund (SDF) with the aim of helping build and scale 100 social enterprises improving the quality and delivery of basic services to the poorest and underserved populations across South Asia (eight SAARC countries) by using a mix of grants and concessional returnable capital. The grant will be used primarily for capacity building of the enterprises and the communities they impact. The grantees can be registered non-profits, for-profits and hybrid organisations operational for at least two years with demonstrable track records and with innovative models which are on the path of financial sustainability in the areas of healthcare, renewable energy and agribusiness. Social enterprises are defined as organisations that apply a business-like approach to addressing grassroots developmental issues for the underserved, rather than maximising profits. Within five years, SDF intends to fund around 100 enterprises across the eight SAARC countries.

**Recommendation 12.2** urges the Commission to convene governments of third-party countries, Member States actively supporting them, DAC members as well as other private investors and donors to meet, discuss, align and co-create more impactful synergetic programmes. Below are some examples of key points that should be addressed in the first meetings. GECES suggests that the discussions follow a very hands-on and pragmatic agenda, focused on concrete collaboration opportunities to maximise the achievement of the SDGs through social enterprise and the social economy. The support of professional facilitators and group work is advisable.

- How to harmonise the use of concepts and align with the emerging global narrative – synthesising [social/impact/solidarity][economy/finance/business/entrepreneurship] between the international community and the European community;
- Share existing programmes and identify gaps in the match between funding demand and supply and in geographical coverage;
- Spot potential overlaps among existing support programmes and discuss potential synergies or concentration of efforts in new areas;

- Consider new (riskier) financial instruments by pooling resources and leveraging on each other's programmes;
- Develop and test within the group a new collaborative model for designing synergetic policies and programmes for social enterprises across the world through challenge-solving workshops. For maximum impact, the EC should undertake to engage organisations and institutions such as the UN, the World Bank, Inter-American Development Bank, GIZ, AFD-Proparco and Foreign Offices and Development Agencies of the EU Member States, the EIB, EBRD, USAID, National Development Banks and foreign banks, e.g. Asian Development Bank, the Japanese International Cooperation Agency, etc.;
- Promote open economic data and transparency;
- Investigate how to tackle the current divide between research-oriented teams and programme teams within and across organisations;
- Discuss strategies on how to better champion, at the international level, the need for specific support for social enterprises and social economy organisations as key players in achieving the SDGs, how to pool resources together and gain political support.

**On Recommendation 13**, below is a list of past and current EU programmes which could be targeted at the social economy and social enterprises or ideas for new programmes to support the ecosystem outside the EU.

- Open up strategic programmes such as the European Social Innovation Competition to other regions to foster cooperation and enhance a more collaborative culture for growth and development;
- Building on the Connect Program, open up the Erasmus for Young Entrepreneurs Programme to more non-EU states and allocate additional financial resources in order to support exchanges between social economy entrepreneurs and their organisations in different regions of the world;
- Based on the experience of the "Enhancement of the Business Environment in the Southern Mediterranean" project, develop a broader initiative to incorporate social enterprise support and know-how dissemination and training aimed at fostering their emergence, growth, access to funding and improved management practices, as well as increased awareness of their role and contribution. In this context, the European Enterprise Network should be extended and provide specialised services for social enterprises, in particular brokerage activities, assistance in accessing EU and private funding, and connections with key consultants and experts.
- Inspired by the Missions for Growth, develop Missions for Development to support cross-border cooperation between any actor interested in supporting the achievement of the SDGs, with a major focus on social enterprises. Such an action could encourage national governments of third countries to invest in a nurturing local ecosystem and attract international investors;
- Develop Social Innovation Networks (based on the experience of the European and Latin American Business Services and Innovation Network (ENAL Network - <http://www.elannetwork.org/>)) in key regions such as ASEAN countries, Latin America, Africa etc. to create a space for collaboration, exchange and co-creation of the best innovations contributing to the achievement of the SDGs. These would also provide opportunities to meet and offer support in consolidating value propositions and attracting funders, getting local know-how, and finding partners in the countries they are interested in;
- Strengthen Euro-Med, as well as EU-Africa and EU-Latam development cooperation and investment networks in the field of social enterprise by capitalising on the experience of EUROMEDINVEST (<http://www.euromedinvest.eu/>) and focusing on matchmaking events and roadshows, pitching sessions, social enterprise support, mentoring and one-to-one training;
- Open up EastInvest (<http://www.east-invest.eu/>) to social enterprises providing specialised support and earmarking additional funding;
- Capitalise on the experience of the DCFTA Facility and the Business Advisory Services implemented by the EBRD in the Eastern Neighbourhood and supported by the Commission, and earmark additional funds to include specific support for social enterprises and social economy organisations.





