

EUROPEAN POLICY ON SOCIAL BUSINESS

Introduction

Supported by the Commissioner Barnier, responsible for Single Market Act, Social business is perceived as a key instrument for the flagship initiative on the innovation Union, the achievement of the Single Market and the fight against poverty and exclusion. Therefore it was one of the twelve actions of the Single Market Act communication published on April 2011.

It is on this basis that the Commission published a communication on Social Business Initiative (SBI)¹ at the end October. The objective is:

- To introduce a short term action plan to support the development of social enterprises
- To prompt a debate on the avenues to be explored in the medium/long term

The publication of this communication was followed by a European conference in order to get reaction and proposals from the concerned stakeholders.

This note will present the approach by the Commission, the actions proposed and some comments that could anticipate a positioning of co-operative organizations.

Social business / Social enterprises / Social economy.

The terms *Social business* and *social enterprises* are used within the Communication, which specifies that for the purpose of this communication they are equivalent.

The Commission approaches the social enterprise as "an operator in the social economy whose main objectives is to have a social impact rather than make a profit for their owner or shareholders."

Three elements characterize this type of business:

- The social objective is the reason for commercial activity often in the form of a high level of social innovation.

¹ Communication from the Commission on Social business initiative "Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation"



- Profits are mainly reinvested with view to achieving this social objective
- The method of organization or ownership system reflects their mission using a democratic principle or focusing on social justice.

The Commission does not seek to provide a standard definition to be implemented within the Member States but will refer to these three elements shared in most of the Member states.

Within the Communication, social economy covers bodies with a specific legal status (co-operatives, foundations, associations and mutual societies) many of which are also social enterprises. Social enterprises in the form of public limited companies are also part of social economy according to the document.

Action plan proposed by the Commission

The beneficiaries of this action plan would be the citizens, social enterprises and social entrepreneurs that should be better informed and enjoy easier access to aid mechanisms.

The Communication presents an action plan with eleven measures, organized around three themes:

1- Improving access to funding

- Following the publication mentioned above, at the end of 2011 the Commission will propose a regulatory framework for social investment funds.
- Access to micro-credit will be eased
- A 90 million € European instrument will be set up to facilitate access to funding for startup, development of social enterprises
- Make social business a priority of the ERDF and EFS²

2- Increasing visibility of social entrepreneurship

- Identify best practices and replicable models by developing a map of social enterprises in Europe
- Create a public data base of label and certifications
- Help governments to introduce measures to promote and finance social enterprises
- Reinforce the managerial capacities and networking of social business

3- Improving legal environment

- Simplify the rules regarding the regulation on the statute for a European Co-operative Society
- Propose a regulation on European Foundation statute
- Initiate a study on the situation of mutual societies
- Make quality and working conditions more important criteria for the awarding of public procurement contracts
- Simplify the rules concerning State Aid to social and local services

Furthermore different ideas for discussion are put forward such as developing access to venture capital for social enterprises or support national projects to set up satellite accounts so that social enterprises appear in national accounting system.

The Commission will also set up a consultative multi-stakeholder group on social business to monitor the progress on the proposed measures. It will be made up of representatives of MS, local authorities, social entrepreneurs organizations, universities and the banking sector.

² European Regional Development Fund and European Social Fund

Dialogue with stakeholders and next steps

1- A strong political support

European stakeholders were invited to participate in a conference on the 18th November on SBI to express their opinion on the Communication. More than seven hundred people attended, coming from various backgrounds, but mainly from social enterprises networks, social economy networks and social economy organisations (mainly co-ops).

The Conference was structured around four themes:

- Entrepreneurship and social innovation
- Financial framework in the European Union
- Promotion of social entrepreneurship
- Regulatory & economic framework for socially-driven ventures.

Remarkably the conference received a high level of political support from the European Commission. President Barroso, Commissioners Barnier and Andor, Directors from DG enterprises, Markt and Competition strongly asserted the importance of social enterprises for a new major element of the EU 2020 strategy.

The objectives of the communication were confirmed with a strong focus on access to finance and visibility.

It was also announced that the College of the Commission will propose to mainstream social innovation in the new Horizon 2020 strategic framework for research and innovation, with a dedicated focus on inclusive, innovative and secure societies.

National governments were also participating such as Nick Hurd, Minister for civil society of the UK, who announced that they will include social enterprises in their future action plan.

There were also support from the European Parliament, which was represented by 3 MEPs, the co-president of social economy intergroup, and the president of the social committee.

Social enterprises stakeholders welcomed the initiative and its political supports. There were some specific questions and testimonies on the obstacles that social enterprises are facing but the main questioning was focused on the calendar and planning of the implementation of the actions announced.

2- No fixed calendar yet.

The Commission has already announced a legislative text on ethical investment funds by the end of 2011.

No planning is given for other actions. They should be preceded by consultations (green or white papers) and impact evaluations.

The communication itself should be submitted to the consultative procedure within EP and the EESC.

END