Social Business Initiative - Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation

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PURPOSE: to present a short-term action plan to support the development of social enterprises and to prompt a debate on the avenues to be explored in the medium/long term.

BACKGROUND: in order to promote a 'highly competitive social market economy', the Commission has placed the social economy and social innovation at the heart of its concerns, in terms of both territorial cohesion and the search for new solutions to societal problems, in particular the fight against poverty and exclusion, under the Europe 2020 strategy, the flagship initiative 'The Innovation Union', the European Platform against Poverty and Social Exclusion and the 'Single Market Act' (SMA).

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**. The Commission uses the term 'social enterprise' to cover the following types of business:

- those for which the social or societal objective of the common good is the reason for the commercial activity, often in the form of a high level of social innovation;
- those where profits are mainly reinvested with a view to achieving this social objective;
- and where the method of organisation or ownership system reflects their mission using democratic or participatory principles or focusing on social justice.

The social economy employs **over 11 million people in the EU, accounting for 6 % of total employment**. It covers bodies with a specific legal status (cooperatives, foundations, associations, mutual societies), many of which are also social enterprises in terms of the characteristics referred to above, as well as social enterprises in the form of an ordinary private or public limited company.

A 2009 study assessed the share of the population involved in social entrepreneurship as 4.1% in Belgium, 7.5 % in Finland, 3.1 % in France, 3.3 % in Italy, 5.4 % in Slovenia and 5.7 % in the United Kingdom. Approximately one in four businesses founded in Europe would therefore be a social enterprise.

The growth and distribution potential of the social enterprise model in the internal market has still not been explored in full and is coming up against obstacles identified by several reports: (i) difficulty finding **funding**; (ii) **low degree of recognition** of social entrepreneurship; (iii) the **regulatory environment** at European and national level does not always take sufficient account of the specific characteristics of social enterprises, in particular with regard to the rules on public procurement or existing statutes.

The Commission seeks to support the development of social enterprises and to learn from their experiences in support of the whole of the economy. In its approach to this varied sector, the Commission does not seek to provide a standard definition which would apply to everyone and lead to a regulatory straitjacket.
It offers a description based on principles shared by the majority of the Member States, while respecting their diversity of political, economic and social choices and the capacity for innovation of social

entrepreneurs. The various characteristics of social enterprises mean that, for the most part, they exhibit an especially high level of social and environmental responsibility. The social business initiative supplements the Communication of the Commission on Corporate Social Responsibility (CSR).

CONTENT: to enable social enterprises to use their full potential, the Commission proposes an action plan in general support of social innovation to help create a favourable climate, in close partnership with stakeholders in the sector and the Member States.

The Commission focuses on the main actions as well as other ideas for discussion.

(A) AN ACTION PLAN TO SUPPORT SOCIAL ENTREPRENEURSHIP IN EUROPE: the Commission therefore proposes **eleven key actions, broken down into three axes** to be launched before the end of 2012.

(1) Improving access to funding

- to propose a **European regulatory framework for social investment funds** before the end of 2011 to facilitate access to the financial markets for social enterprises;
- in addition to continuing to ease access to micro-credits through the Progress Microfinance Facility, to improve analysis, promotion and development of the legal and institutional environment for micro-credits;
- the Commission has proposed that a **€90-million European financial instrument** be set up to facilitate access to funding for start-up, development and expansion of social enterprises by way of investment in solidarity investment funds, which provide own-capital and debt-financing instruments, under the European Union Programme for Social Change and Social Innovation;
- the Commission has proposed that an **investment priority for 'social enterprises'** be expressly introduced in the ERDF and ESF regulations from 2014.

(2) Increasing the visibility of social entrepreneurship

- to identify **best practices** and replicable models by developing a comprehensive map of social enterprises in Europe, specifying their characteristics, their business model, economic weight, cross-border growth potential, applicable rules and criteria for legal statuses and for specific tax regimes, as well as existing labelling systems;
- to create a **public database** of labels and certifications applicable to social enterprises in Europe to improve visibility and comparison;
- to promote mutual learning and capacity building of national and regional administrations;
- to create a **single, multilingual electronic data and exchange platform**, associated, where appropriate, with the Social Innovation Europe Platform and the 'Enterprise Europe Network' for social entrepreneurs, incubators and clusters, social investors and people working with them;
- to promote and **increase accessibility of Community programmes** in support of social entrepreneurs.

(**3) Improving the legal environment**

- developing **appropriate European legal forms** which could be used in European social entrepreneurship: (i) present a proposal on the simplification of the regulation on the Statute for a European Cooperative Society in order to reinforce its independence in relation to national laws and to make it easier to create social cooperatives; (ii) propose a regulation for a European foundation statute, in order to facilitate foundations' cross-border activities. This would exist alongside national legal forms and would be optional; (iii) to initiate a study on the situation of mutual societies in all Member States in order to examine their cross-border activities in particular;

- in the context of **public procurement**, to further enhance the element of quality in awarding contracts in the context of the reform of public procurement especially in the case of social and health services, and to study ways in which the working conditions of persons involved in production of goods and services under the contract could be taken into account;
- to simplify the implementation of rules concerning **State aid** to social and local services.

(B) OTHER IDEAS FOR DISCUSSION – MEDIUM/LONG TERM: in addition to the priority actions listed above, the Commission proposes the following topics for discussion where the details and methods involved need to be looked at more closely, in particular:

- creating a network and enabling the experience of **banks**, often public or semi-public and dedicated partly or fully to funding social entrepreneurship, to be shared, thereby restoring dormant funds to the economy (e.g. bank accounts of deceased persons that have not been closed);
- developing **access to venture capital for social enterprises**, in accordance with its proposal concerning the European framework for venture capital funds;
- promoting social entrepreneurship among **older people**, in the context of the European Year for Active Ageing in 2012 (career change or development of volunteering among retired persons);
- promoting **research** concerning the features and socio-economic impact of social entrepreneurship and, in particular, financing national projects to set up satellite accounts so that social enterprises appear in national accounting systems;
- examining the possibility of increasing and **including new aid categories;**
- during the review of the General Block Exemption Regulation, which is applicable until 31 December 2013;
- developing best-practice sharing between Member States concerning the **adaptation of national tax regimes** for the benefit of social enterprises and ethical investment;
- developing best-practice sharing between Member States regarding the **use of capital accumulated in social enterprises** and, in particular 'asset locks' in order to enable this capital either to stay in the business or be released for investment in other social enterprises;
- development and networking of **trading platforms** (stock exchanges) dedicated to social enterprises;
- the possibility for social enterprises generating profits to make use of **volunteers** and receive donations without a negative tax impact;
- the need for a possible **European statute for other forms of social enterprise** such as non profit-making associations and/or a possible common European statute for social enterprises.

The Commission, for its part, shall: (a) implement its initiatives in partnership with the Member States, in accordance with the principle of subsidiarity and taking into account issues of social and economic cohesion at local, regional and national level; (b) set up a consultative **multi-stakeholder group on social business** to examine the progress of the measures envisaged in this Communication.