

POSITION PAPER ON THE EUROPEAN ACTION PLAN FOR SOCIAL ECONOMY



CONTENTS

INTRODUCTION	3
EUCLID NETWORK PRIORITIES	5
1. Improve the visibility of SEs	5
2. Improve access to finance for SEs	6
3. Improve access to markets for SEs	7
4. Foster social entrepreneurship through education, training and business support	7
5. Promote SE as the global business standard	9
CONCLUSION	10



ABOUT EUCLID NETWORK

Euclid Network (EN), founded in 2007, is the European network for organisations that support social enterprises. EN members are based in 21 countries and represent all stakeholders involved in the European social enterprise ecosystem: national social enterprise and civil society networks, incubators, universities, knowledge centres and social investors. EN empowers positive change by connecting, enhancing and celebrating social enterprises and their support organizations pioneering towards a just and green economy.

In 2018 EN and the European Commission entered into a 4-year Partnership Agreement, recognising EN as a key sectoral representative at European level. The European Commission Partnership was awarded under the Programme for Employment and Social Innovation (EaSI). EN is also a member of the European Expert Group on Social Enterprise and Social Economy, observer to the UN Taskforce on Social and Solidarity Economy and a member of the COVID Response Alliance for Social Entrepreneurs of the World Economic Forum.

INTRODUCTION

The Covid-19 crisis has exposed many fragilities in our economies and deepened the existing inequalities, simultaneously highlighting the need for resilience, innovation and cooperation. The pre-crisis problems - including issues such as: the insufficient quantity and quality of employment; global warming and climate driven migration; and the unsustainability of the current industrial food system - are worsening significantly as a consequence of the measures taken to counteract the health emergency.

Social enterprises (SEs) have for a long time illustrated their importance for our economy and society, even more so during the pandemic. Through cooperating with and complementing the actions of public authorities, SEs have not only contributed to alleviating the impact of this crisis, but they have also provided a wide range of social services, especially for the most vulnerable in society.

SEs, however, are not immune to the Covid-19 pandemic as they must also address challenges such as:

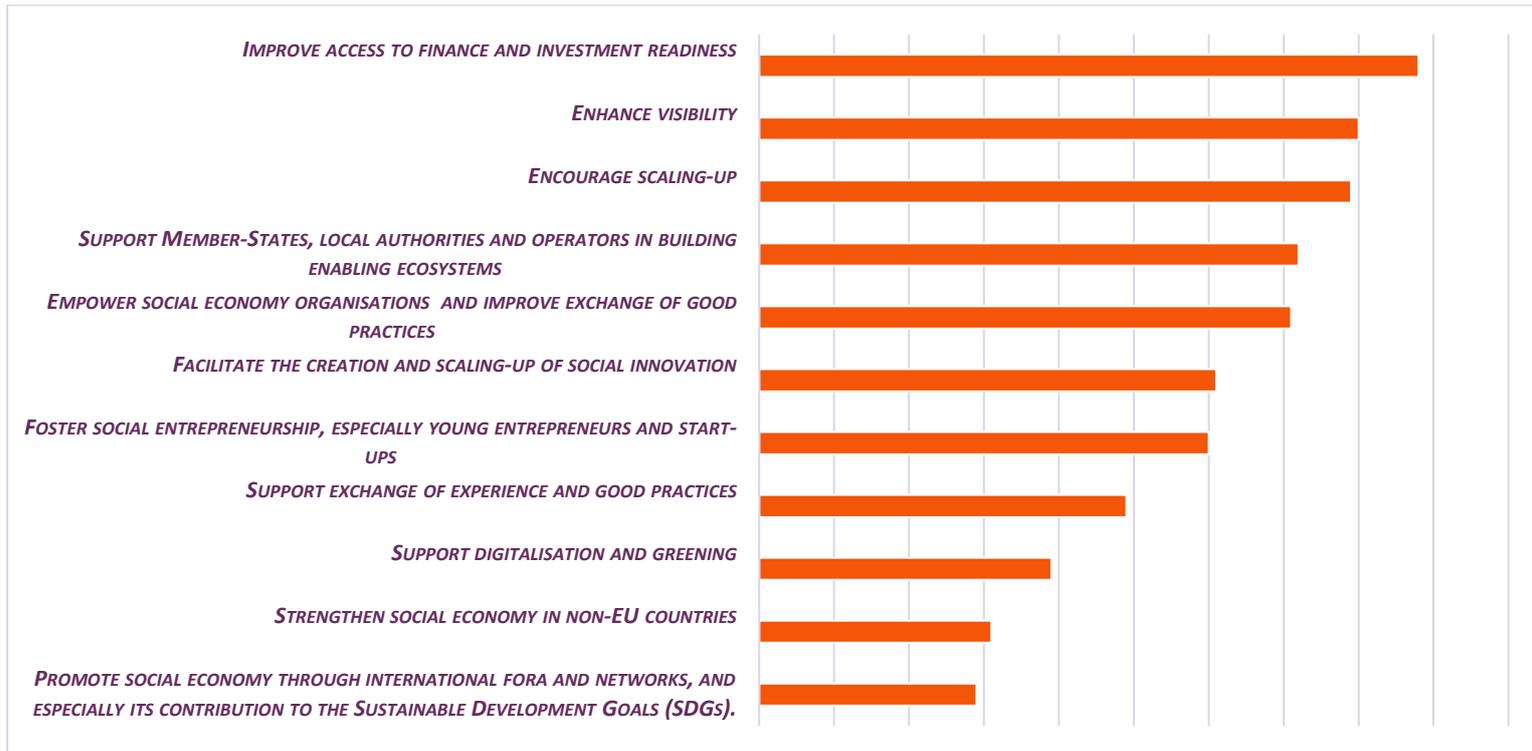
- the total or partial inability to trade for periods of time activities;
- the increased competition for scarce funding resources;
- the unforeseen challenges in adapting their business models to the new reality.

These challenges compound the pre-existing issues of a lack of visibility of and recognition by governments of SEs, posing further challenges when effectively seeking to influence decision-making.

In this context, Euclid Network (EN) believes that the European Action Plan for Social Economy is a crucial and necessary instrument for all social economy actors. The Action Plan should support, promote and enable the role of SEs as a fundamental part of the future economic model both within the EU and beyond.

For this reason, we congratulate the European Commission (EC) for this initiative and for its effort in providing measures and creating conditions for the social economy to fulfil its potential.

We at EN reiterate the importance of focussing on the following points, ranked according to our members' priorities:



EUCLID NETWORK PRIORITIES

Euclid Network members echo the importance of focusing on the following priorities:

1. Improve the visibility of SEs.
2. Improve access to finance for SEs.
3. Improve access to markets for SEs.
4. Foster social entrepreneurship through education, training and business support.
5. Promote SE as the global business standard.

In the following paragraphs we highlight concrete policy recommendations to advance the SE ecosystem across Europe and beyond.

1. Improve the visibility of SEs

SEs are representatives of the just and green economy, offering highly effective and profound solutions to our shared challenges. Despite their positive social impact, the concept of SE is relatively unknown amongst governments, business, academia and the wider public. To fully unlock the potential of SEs, the European Union (EU) should further improve their visibility and demonstrate their social impact both at the European and global level.

How to?

The EC can:

1. Encourage EU Member-States to set up **national strategies for SE** in consultation with the national SE stakeholders.
2. Incentivise EU Member-States' **public authorities to collaborate** with SEs and similar actors within the social economy, thus increasing visibility and access to relevant markets.
3. Encourage Member-States to recognise SEs as a **separate type of entity** (not private, nor civil society) and reflect this in the law.
4. Enable capacity-building of policy makers through international peer review mechanisms, following the example of the OECD peer review mechanisms.
5. Gather **data** and harmonise both national and EU **statistics** on SE. Moreover, social economy satellite accounts should be included in an **EU manual** elaborated by Eurostat. Besides the contribution of SEs to economic growth and job creation, governments should also be encouraged to systematically measure and present the social and environmental impact of these enterprises.
6. Support the launch of **public campaigns, festivals and a SE Day**. This would not only encourage SEs' networking and promote their success stories and their vision, but also facilitate concrete connections. According to EN's members, visibility can also be improved by setting up **international online conferences**. These will give the

opportunity to foster cooperation among EU and non-EU countries on SE and to share good practises.

7. Financially support the development of **national networks of SEs** in each Member-State.

2. Improve access to finance for SEs

A key element for any enterprise to start-up and scale-up is access to finance. SEs, like other businesses, seek financing from diverse providers. These include the public sector, philanthropic foundations, impact investors, as well as mainstream financial institutions. However, SEs often face barriers in this process. According to our members, the EU should work on new and different funding mechanisms, including for example co-financing instruments, match funding, crowdfunding and impact investing. EN emphasizes that these mechanisms should be appropriate for the needs and stage of development of the SEs. Finally, EU funding should not require pre-financing as this criterion hinders the participation of young innovators and new initiatives in EU programmes.

How to?

The EC can:

1. Provide **unrestricted, more flexible grants**¹ (rather than project funding) and include social and environmental objectives as a requirement to apply for any EU funding.
2. **Simplify funding** application procedures and ensure **access of start-ups and small & medium-sized enterprises to EU funds**.
3. Encourage Member States to fund social innovation and SEs through the **European Social Fund Erasmus+ and the European Regional Development Fund**;
4. Encourage the **participation of mainstream finance providers** and social investors in financing for SEs by providing incentives and alleviating regulatory barriers to investment.
5. Encourage **Member-States to guarantee loans** for SEs and to enact the law on Social Investment Tax Relief.
6. Invest in existing **impact funds** which support SE.
7. Provide financial support to SEs in **non-EU countries and overseas territories** as well.

¹ This form of funding could be managed through intermediaries and tied to milestones of growth, and later connected to impact funds which can support taking successful pilots to scale – Reach for Change (2021), cited from Membership Consultation Survey regarding European Action Plan for Social Economy.

3. Improve access to markets for SEs

Like traditional businesses, SEs create revenues, jobs and profits by selling goods and services in the open market. However, their main objective is to create social impact, meaning that SEs reinvest or donate their profit to create positive social change.

To accelerate the transition towards a green and just economy, it is crucial for SEs to have access to public and private markets. The EC should support public authorities and corporates in EU Member-States to collaborate with SEs and similar actors in the social economy.

How to?

The EC can:

1. Support the creation of a European wide **Buy Social corporate programme** which incentivises private procurement from SEs.
2. Make the inclusion of **social and/or environmental considerations** in national procurement a priority. The EC should also develop the skills among procurement officials (private and public) to solicit and evaluate tender proposals from SEs and tackle misconceptions regarding the goods and services provided by SEs.
3. Make the inclusion of **social and/or environmental considerations** a priority of the EC public procurement strategy. In addition, actively promote this as an example of good practice to Member-States and large corporates so they buy more socially responsible products and services.
4. Support the creation of dedicated **scale-up programmes** for SEs that support them to sell business-to-business.
5. Promote **cooperation between corporates and SEs** to grow and develop the market for socially responsible products and services.
6. Encourage Member-States to **disseminate good practices** of commercial partnerships and/or opportunities between SEs and other firms.
7. Support SEs that would like to set up **trading activities abroad**. For example by setting up dedicated accelerator programmes and by organising international demonstration days for SEs and investors.

4. Foster social entrepreneurship through education, training and business support

SEs create, replicate and scale-up innovative solutions to our societal challenges. Doing this requires particular social entrepreneurial skills and business support. To further unleash the full potential of SEs in paving the way towards a just and green economy, it is necessary to increase the number of aspiring social entrepreneurs and the availability of tailored business support. Therefore, we recommend promoting social entrepreneurial skills in the seed phase and ensure availability of dedicated support in the start-up and scale-up phase. According to Social Impact Ireland: *“there is a strong latent interest in student populations in the social*

economy sector, however, career paths in this field are still primarily oriented in the mainstream commercial area”².

SEs must be strongly empowered - they need to become part of the mainstream economy, together with their networks and support organisations. This can be done by enhancing strategic funding of intermediary and support organisations. Such organisations often have solid track records in building business capacity and social innovation of SEs throughout different stages of their development, utilising proven capacity-building and coaching models. With targeted and sustainable funding, these intermediary organisations can continue to support effective processes with a proven track record where innovative solutions can be conceived, piloted and refined at an early stage. As such, intermediaries support both to de-risk donor and financial investments in the SEs, and to assure greater reach and impact through those investments. On a broader level, intermediary organisations are also able to contribute unique value and insights to the European SE ecosystem. Through enhanced monitoring and evaluation in funding in particular, such organisations would be able to step-up their ability to identify and share best practices with each other, potentially through reinforced peer-to-peer networks and fora³.

How to?

The EC can:

1. Encourage national governments to add social entrepreneurship to curricula of all levels of education and training.
2. Encourage national governments to use EU funding to create **online and sustainable social entrepreneurship courses**, accessible in different languages.
3. Invest in existing infrastructure, **supporting those intermediaries that are aware of the concept of social entrepreneurship** and its relevance, as well as the specific needs of social entrepreneurs. Particular capacity-building for SEs is needed in the areas of:
 - Managerial skills
 - Investment readiness
 - Impact measurement
 - Digital skills
4. Foster **education and training about social entrepreneurship to existing mainstream intermediaries and mainstream business support organisations**. They must be aware of the concept and potential of social entrepreneurship and be able to address their specific demands and challenges.
5. Invest in the development of **clusters and local hubs** to foster the ecosystem around social innovation.
6. Ensure **full gender equity** is mainstreamed throughout its Social Economy Action Plan and that specific attention is given to fostering and supporting female-led SEs. Specific

² Social Impact Ireland (2021), cited from Membership Consultation Survey regarding European Action Plan for Social Economy.

³ Reach for Change (2021), cited from Membership Consultation Survey regarding European Action Plan for Social Economy.

actions around female participation as initiators and/or leaders in the sector are needed⁴.

7. Adapt an **inclusive approach** which is paramount in terms of fostering social entrepreneurship. This includes interventions which specifically target social entrepreneurs representing or addressing the needs of vulnerable groups⁵.

5. Promote SE as the global business standard

The challenges of our era are truly global, including but not limited to: the insufficient quantity and quality of employment; growing inequalities; global warming; and migration. In order to fight these problems and achieve a fair and green economy in line with the UN SDGs we need to cooperate on solutions across the world. SEs are a vehicle to achieve our shared objectives and should therefore be promoted beyond Europe.

How to?

The EC can:

1. Promote the **mutual recognition** between Member-States of their respective categories of legal personality of actors within national social economies, making it easier for them to operate transnationally in the single market.
2. Grant the opportunity to organisations in **EU candidate countries to access EU funding programmes.**
3. Mention “social enterprises” and “social economy” in the EU accession strategies.
4. Promote **SEs within Official Development Assistance (ODA)** and/or International development cooperation.
5. Promote **SEs as a business model to achieve the UN SDGs** through active engagement with the UN Taskforce on Social and Solidarity Economy and at international events.

⁴ Social Impact Ireland (2021), cited from Membership Consultation Survey regarding European Action Plan for Social Economy.

⁵ Reach For Change (2021), cited from Membership Consultation Survey regarding European Action Plan for Social Economy.

CONCLUSION

SEs are businesses that are changing the world for the better. Like traditional business, they play an important role in job creation and labour market integration, but their main objective is to create inclusive and sustainable growth and positive change. They operate in a large variety of economic sectors and ecosystems. SEs tackle societal problems, improve people's lives, provide training and employment opportunities for those furthest from the market, support communities and create solutions for the climate crisis.

Enabling and promoting the role of SEs as a fundamental part of the current and future economic model is as demanding as it is a necessary process. EN sees the European Action Plan for Social Economy as an opportunity to leverage greater social value both within the EU and at the International level. EN believes that by supporting SEs, we directly contribute to creating an economy that works for all people and the planet.

