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NOTE

from: The Presidency
to: Social Questions Working Party

Subject: The promotion of the social economy as a key driver of economic and social
development in Europe
- Draft Council Conclusions

In view of the Social Questions Working Party on 11 September 2015, delegations will find attached a set of draft Council Conclusions, as prepared by the Presidency.

The promotion of the social economy as a key driver of economic and social development in Europe

Draft Council Conclusions

The Council of the European Union

RECOGNISING THAT:

1. The social economy combines sustainable economic activities with social impact, by working alongside the public and private sectors in matching services to needs. It plays an important role in the transformation and evolution of contemporary societies, welfare systems and economies thus substantially participating to economic, social and human development across and beyond Europe.
2. The social economy further contributes to several key EU objectives, including the achievement of smart, sustainable and inclusive development, high-quality employment, social cohesion, social innovation, local and regional development and environmental protection. It is also an important tool for ensuring people's well-being. Even more important, the social economy is a sector which has weathered the economic crisis much better than others and is gaining increasing recognition at European level.
3. Building on the strengths of a long social economy tradition, social entrepreneurs are drivers of change and actively participate to the development and implementation of innovative solutions to the major economic and social challenges currently faced by the European Union.
4. Social enterprises may be regarded as vehicles for social and economic cohesion across Europe as they help build a pluralistic and resilient social market economy. Acting in the general interest, social enterprises create jobs, provide socially innovative services, and promote a more sustainable economy. They are based on solidarity and empowerment principles and help create opportunities and hope for the future.

5. Social enterprises are economic actors whose main purpose is to create a positive social impact. By definition, social enterprises use profits as a means for achieving their primary social objectives, rather than maximizing profits for their owners and shareholders. Their activities rely on limited profit distribution business models, whereby most of their surpluses are statutorily re-invested in further development of their activity.
6. In the last few years, the social economy has increasingly gained political visibility as a sector that notably constitutes an important pillar in terms of employment and social cohesion across Europe but which is also key to achieving the goals of the EU 2020 Strategy.
7. Already in 2009 the European Parliament adopted a Resolution which recognised the social economy as a key operator for fulfilling the Lisbon Strategy objectives.¹
8. In its Communication, "Towards a Single Market Act - For a highly competitive social market economy – 50 proposals for improving our work, business and exchanges with one another"², the Commission clearly stated that the first decade of the 2000s has revealed the huge innovative potential of the social economy across and beyond Europe and underlined this sector's contribution to finding innovative solutions to major socio-economic problems, many of which arise from social exclusion and the ageing of the population.
9. The Commission Social Business Initiative³ set out a comprehensive action plan to support social innovation and help create a favourable climate for social enterprises, in close partnership with the Member States and various stakeholders. This Initiative identified three strands of action that would make a real difference and improve the situation on the ground for social enterprises: improving access to finance, giving greater visibility to social enterprises and optimising the legal environment.

¹ European Parliament Resolution of 19 February 2009 (2008/*2250 (INI))

² COM(2010) 608 final.

³ COM(2011) 682

10. The 2003 Social Investment Package⁴ gave guidance to Member States on more efficient and effective social policies and reaffirmed that social investment is about investing in people in order to strengthen people's skills and capacities and help them to participate fully in employment and social life. At a time when Europe is facing enormous challenges in terms of unemployment and social exclusion as well as demographic change, social enterprises have an important role to play in **strengthening people's current and future prospects** in both society and the labour market, through the promotion of key policy areas such as quality childcare, healthcare, social housing, job-search assistance and rehabilitation.
11. In the Strasbourg Declaration⁵, over 2 000 social entrepreneurs and supporters of social enterprises, representing the rich diversity of the social economy in Europe, re-affirmed that social enterprises need to play a bigger role in the future of Europe whilst identifying new ideas and actions to unlock their potential to foster smart, sustainable and inclusive growth.
12. The European Economic and Social Committee Milan declaration⁶ on action to be taken at EU level drew up a series of proposals and general recommendations on effective support for social innovation and social investment policy.
13. The 2014 Rome Strategy⁷ identified the areas where intervention is needed according to the various actors who have worked to promote the spread and strengthening of the social economy as a key driver of economic and social development in Europe.

⁴ COM(2013) 83 final

⁵ "Empowering social entrepreneurs for innovation, inclusive growth and jobs", adopted on 16/17 January 2014.

⁶ "Boosting innovation for a better social outcome" (adopted by the European Economic and Social Committee on 23 October 2014).

⁷ As adopted under the Italian Presidency, on 18 November 2014.

14. The Luxembourg Presidency's Roadmap on boosting social enterprises in Europe⁸ is focusing in particular on the development of social enterprises, whilst highlighting the importance of a comprehensive "ecosystem" for the social economy and social entrepreneurs in Europe. It lays particular emphasis on the need to develop an adequate financial ecosystem capable of providing effective support for social innovation.

INVITES THE MEMBER STATES AND THE COMMISSION, WITHIN THEIR RESPECTIVE SPHERE OF COMPETENCE AND WITH DUE REGARD TO THE PRINCIPLE OF SUBSIDIARITY, TO:

15. Establish, implement and further develop, as appropriate, European, national, regional and/or local strategies and programmes for enhancing the social economy, social entrepreneurship and social innovation. The various strategies and programmes should be based on a constructive dialogue between European, national, regional and/or local authorities and all relevant stakeholders.

In the area of awareness, recognition and education:

16. Further document the effective contribution of social enterprises to the major macro-economic aggregates. As all policies should be evidence-based, Eurostat and national statistical authorities should develop and implement satellite accounts in their respective statistics aimed at establishing the effective contribution of non-profit-oriented economic activities to economic growth and social cohesion in the European Union.
17. Promote capacity-building seminars and conferences to enhance the knowledge and awareness of policy-makers, civil servants and practitioners of the specific features of the social economy and social enterprise and of the opportunities that exist at the European, national and local levels, particularly in countries where the social economy remains under-developed.

⁸ To be adopted on 4 December 2015 before the EPSCO December Council.

18. Develop and support national and European networks with a view to disseminating knowledge and experience regarding social enterprises, breaking down artificial barriers and supporting the achievement of economies of scale. In addition to the national and European levels, effective networks and experience-sharing should be further developed with emerging countries.
19. Pay special attention to developing and pursuing effective ways of involving new generations in the social economy and social enterprises. New generations sometimes underestimate both the long traditions and potential of the social economy for developing innovative entrepreneurial ideas.
20. Include social economy-related topics in the curricula of secondary schools and universities. Erasmus-type programmes should also be developed to provide internships in various types of social enterprises to young people across Europe, thus giving them some varied experience of the social economy.

In the area of social innovation:

21. Develop European and national agendas for social innovation and connect the different policy areas better, with a view to promoting co-design and co-production of multidimensional social outcomes in close co-operation with social enterprises. Such policy development should empower both individual beneficiaries and local communities. Specific attention should be paid to developing social enterprise incubators and accelerators and a range of programmes and mechanisms aimed at transforming social innovation into viable and sustainable social enterprises.
22. Remove current barriers to social innovation and experimentation, with a view to creating an innovation-friendly environment and culture. The European Commission, national governments and local authorities should closely monitor the impact, transferability and contributions of new partnerships, whilst recognising and supporting the respective roles of the stakeholders (e.g. foundations, cooperatives, associations, mutual societies, private funders, SMEs and other companies, etc.) in the development and implementation of socially-innovative solutions.

23. Continue to develop an appropriate business environment for social enterprises at the EU and Member State levels so as to unleash their full potential as catalysts of social innovation. The Commission and Member States must ensure that major policies and instruments such as structural funds, social services of general interest and better regulation policy initiatives are deployed effectively to support social innovation and social enterprises.

In the area of the legal and tax environment:

24. Recognise the need to develop sound and comprehensive legal frameworks in order to unleash the potential of social enterprises and to maximize their positive social impact in terms of growth and employment.
25. Design specific regulations and policies tailored to the national context with a view to fully exploiting the wealth and diversity of locally-based social enterprises. Rather than transplanting legislation and policy measures from one country to another, Member States should develop their own legal instruments and regulations, taking into account the specific requirements of local social enterprises. The European Commission should support the growth of the social economy in Europe by disseminating good practices and promoting capacity-building through the sharing of practical experiences.
26. Set up and implement an effective tax package supporting the development of social enterprises at each stage of their lifecycle. Like any other economic sector, the social economy is only able to flourish in a tax-friendly environment. Various tax measures could be developed and implemented at national and/or local level to support social enterprises' various development phases.
27. Increase the awareness of European, national and local authorities, in partnership with social enterprises, regarding the possibilities provided by the new public procurement directives, whilst providing support, training, information and practical case studies on social and environmental criteria, reserved contracts for disadvantaged and disabled groups and for health, social and cultural services, and the most economically advantageous tender criteria.

28. Support fair and normal business co-operation between social enterprises and commercial, profit-oriented firms. In addition to public procurement, specific support should be provided to develop constructive and sustainable private procurement relationships.

In the area of access to finance:

29. Bear in mind that socially-responsible investors are willing to accept a lower return on their investments when supporting social enterprises, as they value the social impact and not just the financial return.
30. Set up and develop public guarantee schemes geared to meeting investors' high risk aversion, satisfying the sector's needs for long-term capital, and supporting both existing social enterprises and socially-innovative start-ups. There will be a short-/medium-term increase in socially-responsible investors prepared to accept lower market rates, providing that the right institutional mechanisms are in place for reducing their perceived risk.
31. Make active use of EU instruments such as the ESI Funds and the EaSI programme, so as to build up the investment capacity of the relevant intermediaries and the investment readiness of social enterprises.
32. Review the most appropriate financial instruments and promote their dissemination at all levels in order to establish a comprehensive financial ecosystem and enable the development and growth of social enterprises.
33. Support innovative and sound workers' buy-out projects through a mixed approach involving patient capital partnerships, public guarantee schemes and workers' own/pooled resources. An interesting, relatively recent development in the social economy is workers' buy-out initiatives, which are considered as a potentially powerful instrument for promoting social sustainability.

INVITES THE COMMISSION TO:

34. Explicitly incorporate social innovation and social investment policies in the review of the Europe 2020 strategy.
35. Ask Member States to report on their progress in the field of social innovation, using social indicators based on activation, empowerment and community involvement.
36. Integrate the social economy and social enterprises as a key pillar in the single market action plan, since they provide innovative responses to societal challenges, leading to social cohesion and consumer confidence and thereby create inclusive, robust and fair growth.
37. Ask Member States to develop and implement national action plans supporting the social economy.
38. Promote and support the social economy and social enterprises vis-à-vis national and local authorities in countries where unemployment rates, and in particular youth unemployment, are high.
39. Make concrete proposals for setting up peer reviews on the social economy and social entrepreneurship policies and measures. Peer reviews could support experience-sharing and foster best practices among Member States.

ENCOURAGES SOCIAL ECONOMY ORGANISATIONS AND SOCIAL ENTREPRENEURS TO:

40. Become actively involved in the development of Europe-wide policies and strategies promoting their sector of activities. Social economy organisations and social enterprises should themselves take initiatives to develop direct co-operation between themselves, with public authorities and with external partners.