

To: EU Social Business Expert Group (GECES)
From: Europe's social enterprise federations and support organisations

10 September 2015

Regaining momentum for social entrepreneurship in Europe

An Open Memo to the EU Social Business Expert Group

11 September 2015

Dear GECES members

Many congratulations on your selection to the renewed Social Business Expert Group (GECES). As GECES members, you have the profile to be **champions of social entrepreneurship** and social impact in these turbulent times for Europe. As you are due to meet on 16th September, we would like to present eight priorities and three specific initiatives to keep social enterprise moving in Europe and its single market.

We do so in the spirit of placing our insights and ideas alongside your own – as well as those of other stakeholders and institutions, not least the EESC which has held interim ownership of the SBI. We believe that our **network of social enterprise federations and support organisations** in the EU Member States and the EU Neighbourhood holds knowledge and experience that will be highly valuable in your ongoing work.

The European Union is coming out of the financial crisis, which has exacerbated societal challenges in many countries. Poverty has risen and severe unemployment hits young, old and disadvantaged people the hardest today. Climate change affects the lives of those within and outside the EU and the gap between developing and European countries is still enormous. Migrants are crossing the Mediterranean in search of refuge from conflict and a better life in a Europe of fairness and opportunity.

Everyday in Europe, **social enterprises are answering these challenges** - running their businesses sustainably to help create a better world and a better economy. They are trail-blazers working towards an inclusive and circular economy – and a more cohesive society. The issue we are facing today is to ensure they keep emerging and growing. There are still too many barriers to social enterprises in Europe: preventing social innovation to spread from one country to another, restraining some of them from scaling up and becoming European champions.

With the establishment of the Social Business Initiative (SBI), the EU expressed the economic and social value it sees in these entrepreneurs. To **take stock of the SBI from 2011 to date**, we see that it has been of great importance for the development of the social enterprise as a new type of business and a growing sector encouraging the various member states.

However, the direction of the SBI today seems unclear and is not as yet anchored in the agenda of the Juncker Commission. With this memo we want to make a clear statement to the renewed GECES and to the EU institutions from 'the field'. **Our organisations work with social entrepreneurs** every day – and with a range of stakeholders to support the flourishing of social entrepreneurship.

First of all, we strongly want to urge GECES to work with the EU institutions and with wider stakeholders to **raise the level of political priority** given to social business within the present mandate of the Juncker Commission and the European Parliament.

A renewed and reinvigorated SBI would provide a positive signal to Member States which help move us forward across Europe. It can also play a pivotal role in convergence of the recognition in policy, law and the market-place of the social enterprise – a precondition for economic growth and growth in social impact.

Eight ways to keep social enterprises moving in Europe

We would like to outline and justify eight ways in which to regain the momentum. Working with enterprises every day in our diverse countries, we feel that these priorities would **best support the social enterprise market** in ways that are consistent with prior SBI actions and the EU's competences.

1) Keep a broad scope

We understand that there is an ongoing debate in different countries on the scope of the concept social enterprise. We advocate a broad understanding of the meaning of the word 'social', to include everything that has great consequences for the lives of all people on our planet. The ambition to fight climate change and create fair trade is as social as creating work for disadvantaged people. These topics all contribute to smart, sustainable and inclusive growth as envisioned by the Europe 2020 Strategy.

In our networks we see a lot of social enterprises that combine different societal goals such as an 100% electric taxi company focused on air quality in cities that works with unemployed elderly, or a manufacturer that makes recycles bikes and works with disadvantaged people.

Separating out the different elements of 'social' and focus on only one of them is very unnatural to our entrepreneurs. Social entrepreneurship is built on understanding and empathy, on an ambition to better the world in all its elements. It is a holistic concept for a better world.

2) Encourage a variety of governance and business models

Social entrepreneurs work follow ethical practices which include 'how to operate' and 'how to liaise with stakeholders'. We see many models upcoming on this subject, but we need further and new developments and innovation of governance and business models. Governance models are dependent on the tradition of a Member State, for example Italy has a strong tradition of social cooperatives whilst in the Netherlands the cooperative model is used for businesses to protect their own interests; therefore social enterprise choose other models. The SBI should encourage diversity and innovation in this field.

The question of surplus distribution to shareholders is one element in this innovation. Social enterprises should not be dependent on philanthropy or volunteering. We advocate that some surplus distribution remains possible within an agreed and transparent governance/business model. We need to explore new thoughts on how to deal with the question 'what is reasonable' and 'what is ethical', which should encompass all forms of delivering value to the stakeholders of a social enterprise, not only profit to shareholders.

3) Support further development of legal frameworks and mutual European understanding

Some member states have done something in the legal arena, creating different forms of legal status that may suit social enterprises. Some of these entities such as the social cooperative in Italy and the CIC in the UK have been in existence for over ten years and can be evaluated. Many countries haven't yet started to rethink the regulatory regime they could create for social enterprises.

We feel SBI should play an important role in this debate, seek to gather practices, advise on standards and mutual recognition. The legal form should have certain elements, such as warrant the societal mission, ensure transparency, give different stakeholders a voice, regulate profit appropriation to be 'impact first', and regulate other forms of extracting finance. Convergence of the models across Europe will help entrepreneurs scale and become truly European social enterprises, recognised as global market leaders.

4) Provide guidelines for and monitor implementation of the public procurement directive

The new directive on public procurement has widely been received as a positive force for the development of social enterprises. The new directive makes it easier for government agencies to make award decisions on social impact and sustainability criteria, but it is still the responsibility of the Member States to implement this. We urge the GECES to monitor the process and offer support for Member States up to and beyond the transposition deadlines.

The GECES would also have the profile to start a dialogue with the private sector, EU institutions and within the social economy about ensuring their own procurement procedures are open to social enterprises. The EU institutions could take a leadership role here for their local procurement, starting in a number of pilot areas.

5) Invest in impact measurement

Impact is the pivotal means for a social enterprise to connect with consumers, suppliers, investors and wider stakeholders. Further development of impact measurement as a science is a precondition to growths. The GECES can create a space for further dialogue between impact measurement experts, social investors and social enterprise practitioners with a view to making measurement tools applicable in social enterprise and ventures, large and small. It can also support social enterprise federations and support organisations to compare what works on the ground.

6) Continue with access to finance initiatives

With the investment readiness programs and the activities of the European Investment Fund (Social Impact Accelerator) the access to finance for social enterprises has been improved. We want to urge the EU institutions to continue with this efforts, the access to funding is crucial for social enterprises and in most Member States the social/impact investing market is not developed.

7) Advance the social enterprise research agenda

The EU Commission has already funded significant research programmes on social innovation, the third sector and social entrepreneurship under Horizon 2020. The GECES members should ensure they are fully aware of the research findings and draw them in their advice to the Commission. Furthermore, future research projects should enhance the participation of social enterprises, representative bodies and those working closely with them – in the spirit of carrying out scientific research with and for society in a responsible way. Efforts should be focused on impact and communicated effectively to a wider audience of policy-makers, social investors, social enterprises and support organisations.

8) Monitor and promote the use of ESIF for the development of social enterprises

The EU Commission has been actively providing guidance to Member States ... liaising with Member States managing authorities to reduce bureaucratic burden and leveraging the use of structural funds for social investment. Social enterprises should be made aware of the improved opportunities under the EU Structural and Investment Funds to gain funding, both for service provision and for capacity-building.

Launch three new initiatives in partnership with stakeholders

To really give the SBI new momentum, we propose a limited number of concrete initiatives, which the Commission could launch with the support of GECES and wider stakeholders:

1) Start a capacity-building programme on impact measurement

Investment readiness programmes have proved to be of great significance for the professionalization of social enterprises in Europe. The next step should be the professionalization of impact measurement. The GECES report provides great frameworks for impact measurement and underlines the notion of 'no holy grail', this implies tailor-made work. From our experiences we see that social enterprises want to measure their impact better, but lack the resources and skills. A capacity building programme funded by the Commission and with the intellectual support of GECES within the SBI would help social enterprises with their impact measurement. We stand ready to work with you on this.

2) Strengthen Europe-wide data collection

Although there is a great need for reliable data, Eurostat and most national statistic offices do not collect on social enterprises. There is minimal data on the number of social enterprises in Europe. This makes it difficult to develop policy, compare between Member States and do research. We therefore urge the GECES to work with the EU Commission and Eurostat to collect data on social enterprises in all Member States. This can be done to build on the infrastructure of SEFORIS which is currently executed in 8 Member States, but should be extended to all 28.

3) Advance mutual understanding on regulatory status of social enterprises

The GECES could demonstrate thought leadership on the development of regulation of social enterprises within Member States - and their mutual recognition across the EU. A single legal form may not be desirable in the near future, but social enterprise federations and others can benefit from EU guidance and comparisons in their advocacy work within Member States. Policy-makers would orientate themselves along European lines, helping them to develop regulations that foster social enterprises and are fit for international comparison.

In closing, the GECES had taken and can now **regain a leadership position** in the agenda for social entrepreneurship in Europe. Different Member States have struggled with how to grasp the potential of social entrepreneurship – the initiatives of the SBI and the guidance of GECES have proven valuable in policy development.

We stand ready as **Europe's social enterprise federations and support organisations** to work alongside GECES members and the EU institutions to further advance social entrepreneurship in Europe.

This letter will be posted openly on the Euclid Network website on the date of the GECES meeting next week.

Yours faithfully,



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Background to the memo: Euclid social enterprise network

The Euclid social enterprise network was launched in Amsterdam in partnership with Social Enterprise NL and MOUVES, the Dutch and French national social enterprise umbrellas, in December 2014. Today, still in its early stages of development, the network represents bring together 11 members from 9 countries.

A round table on EU policy & funding was held in Brussels in June 2015. It brought together national social enterprise federations, support organisations, social investors, researchers and EU officials. It was dedicated to the future of EU policy & funding on social entrepreneurship and covered Social Business Initiative (SBI); Horizon 2020; European Structural and Investment Funds (ESIF); the revised EU public procurement directive; Europe 2020 and the European Semester. The round table provided a number of informative inputs which have been reflected in this memo.

Members of the Euclid social enterprise network have joined with other federations and support organisations to prepare and present this memo.



Euclid Network is the European network for social entrepreneurship and third sector leadership. EN has a track record in promoting social entrepreneurship at European level with the European Social Innovation Prize Competition, Social Innovation Europe (SIE), Erasmus for Young Entrepreneurs and the “Chartering into the Future”, an affiliated event of the EU conference “Social Entrepreneurs: Have Your Say!” in Strasbourg in 2014.

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