

REVES

European Network of Cities and Regions
for the Social Economy

*An assessment of EU policy
initiatives 2011/2012 and their
impact on social economy*

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An assessment of EU policy initiatives 2011/2012 and their impact on social economy

The European Commission, in the end of 2011, has published a number of policies proposals that have a direct or indirect impact on social economy. The aim of this paper is to give an overview on the different proposals (also with the aim to make links between different policy fields more visible), to show their relevance for social economy and to present the REVES position specifically on

- the Social Business Initiative,*
- the Regulation on European Social Entrepreneurship Funds,*
- Legislative proposals for EU cohesion policy 2014-2020,*
- the proposal for a Directive on Public Procurement and*
- the Almunia package on State Aid .*

REVES highly appreciates recent efforts made by different Directorate-Generals of the European Commission (not at least in the framework of the discussion of the Social Business Initiative) to better coordinate their policies, also in respect to social economy. It encourages the Commission to further strengthen this cooperation and here especially the link to EU cohesion policy.

Finally, it is up to social economy and other parts of civil society to monitor coherence in the finalization and implementation of these policies and to make - together with local, regional, national parliaments and the European Parliament - concrete proposals for their further improvement.

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EU initiatives 2011/2012: What is in for social economy and local partnerships?

Social Business Initiative

The European Commission published, on 25 October 2011, its communication on the "Social Business Initiative. Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation".

Are defined as social enterprises undertakings with the following characteristics:

"Businesses providing social services and/or goods and services to vulnerable persons (access to housing, health care, assistance for elderly or disabled persons, inclusion of vulnerable groups, child care, access to employment and training, dependency management); and/or

Businesses with a method of production of goods or services with a social objective (social and professional integration via access to employment for people disadvantaged in particular by insufficient qualifications or social or professional problems leading to exclusion and marginalisation) but whose activity may be outside the realm of the provision of social goods or services."

The European Commission proposes an action plan, containing 11 key actions to support social entrepreneurship. Among them figure a proposal for a European regulatory framework for social investment funds, promotion of micro-credit and the set-up of a European financial instrument facilitating access to funding, the proposal to introduce an investment priority for 'social enterprises' in the ERDF and ESF regulations from 2014, mapping of social enterprises in Europe, the creation of a database of labels and certifications used for social enterprises in Europe, promotion of mutual learning and capacity-building of national and regional administrations, a further opening of divers EU programmes (e.g. concerning Youth) to social entrepreneurship, the enhanced promotion of quality in the framework of public procurement procedures with specific consideration of working conditions or the simplification of state aid rules with regard to social and local services.

Several proposals for the realization of some of these initiatives had already been tabled by different DGs at the time of the publication of the SBI, others were issued in the beginning of 2012, again others are under preparation¹.

Together with the communication, the European Commission published a staff working paper which provides an overview of initiatives taken by the EU, as well as by the OECD, ILO and ITC, with regard to social entrepreneurship.

For more information: http://ec.europa.eu/internal_market/social_business/index_en.htm

¹ http://ec.europa.eu/internal_market/social_business/index_en.htm

Proposal for a Regulation on European Social Entrepreneurship Funds

With its proposal on a Regulation on European Social Entrepreneurship Funds (EuSEFs), issued on 7 December 2011, the European Commission aims to improve access to funding for "social businesses" by making fundraising by specific investment funds for social entrepreneurship more effective. (The proposal was issued after a public consultation held from July until September 2011.)

The designation "European Social Entrepreneurship Fund" is supposed to give funds investing specifically in 'social undertakings' a higher attractiveness and to increase thus private investment in this type of enterprises. Moreover, given the number of diverging national rules in different member states, the European Commission, with this regulation, aims to facilitate operations of funds wishing to involve investors from different member states. A number of common rules and obligations which managers of these funds would have to respect is to give potential investors, but also beneficiary undertakings greater security.

In its proposal, the European Commission defines 'social undertakings' the following way: "Social undertakings include a large range of undertakings, taking various legal forms, that provide social services of goods to vulnerable or marginalised persons. Such services include access to housing, healthcare, assistance for elderly or disabled persons, child care, access to employment and training as well as dependency management. Social undertakings also include undertakings that employ a method of production of goods and services with a social objective, but whose activities may be outside the realm of the provision of social goods or services. Those activities include social and professional integration by means of access to employment for people disadvantaged in particular by insufficient qualifications or social or professional problems leading to exclusion and marginalisation."

A number of other elements of the Commission proposal generated a debate at the EU level, but also in Member States: The European Commission suggests, for instance, that future EuSEFs should allocate at least 70% of their capital to social enterprises. No specific proposals were made on control and/or transparency regarding the use of the remaining part of the capital.

Furthermore, the Commission proposes a threshold of EUR 50 million regarding the annual turnover for potential beneficiary undertakings. It also intends to limit assets of the EuSEFs as such to EUR 500 million.

Another aspect under discussion relates to the question whether EuSEFs should deal only with "professional" clients, as stipulated by the European Commission, or whether also retail investors should be able to contribute (the latter would open the label EuSEF also to a number of already existing investment funds playing an important role in delivering funding for social economy in several EU Member States).

Finally, the Commission proposal does not include any measure aiming to create transparency on the origin of the funds.

For more information:

http://ec.europa.eu/internal_market/investment/social_investment_funds_en.htm

EU Cohesion policy 2014-2020: Legislative proposals

The important impact EU regional policy has had and further could have for the development of social economy is at EU level frequently sidelined, but should not be underestimated. In a number of cities and regions, EU Structural Funds contributed to a significant extent to the establishment of social economy enterprises and advice for them. EU cohesion policy has been and still is promoting visibility of this kind of enterprises and their partnership with other local/regional actors. The latter also entailed increased access of social economy to different kind of local/regional resources and therewith to a higher sustainability. Finally, the promotion of partnerships between social economy and other public and private actors by EU cohesion policy also led to the development of a local/regional policy framework in which social economy is able to develop its potential in cooperation with other public and private players. This kind of partnership, which might also include co-design of policies and strategies, facilitated social innovation and the experimentation of aspects such as the use of social criteria in public procurement, or the creation of quality employment.

In an attempt to make future EU policies more coherent, the European Commission, in October 2011, tabled a set of complementary proposals bringing together EU regional, employment and social policy after 2013.

The six draft regulations include: 1. Common provisions on the European Regional Development Fund, European Social Fund, Cohesion Fund, European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund; 2. Regulation on the European Regional Development Fund, 3. Regulation on the European Social Fund; 4. Regulation on the European Cohesion Fund; 5. Regulation on Territorial Cooperation; 6. Regulation on European Grouping of Territorial Cooperation. The package also includes a proposal for a regulation on a European Union Programme for Social Change and Innovation (PSCI).

The proposals for the new programming phase could, should they be accepted as such by the European Parliament and the Council, further improve development opportunities for social economy.

First of all, promotion of social enterprises figures among the investment priorities of the European Social Fund (ESF) for which the Commission proposed a budget of EUR 84 billion, as well as of the European Regional Development Fund (ERDF) that has been allocated, in the Commission's proposal, a budget of EUR 183,3 billion.

Moreover, the European Commission, in the common provisions on the different funds, intends to make stronger use of so-called global grants which allow national governments to entrust intermediary bodies at local and regional with management and implementation of a part of the funds, e.g. in order to foster local development and respond to concrete needs on the ground. In the past, social economy figured among the beneficiaries of (a part of) these grants and, in some cases, also among the intermediary bodies.

Another major opportunity for social economy is the community-led local development approach the European Commission aims to foster much more intensely, following the experiences of the former LEADER programme on rural development. This approach, if used by the Member States, would allow to promote local action groups composed of different stakeholders that would jointly elaborate local development strategies and be able to use a combination of CSF funds for the implementation of this strategy.

The partnership approach in the implementation of EU cohesion policy in general is central to the new policy proposals and received an even larger focus. The Commission suggested to make its application partially compulsory and announced the publication of a code of conduct for partnership.

In order to link territorial cohesion with social cohesion and employment policies, these regulations are complemented by the draft regulation on a European Union Programme for Social Change and Innovation, a regulation on the European Globalisation Fund and a Communication on the European Union Solidarity Fund (EUSF).

On 14 March 2012, the European Commission presented a staff working paper on the Common Strategic Framework 2014-2020 (CSF), which is to give strategic guidance *for* and ensure coherence *in* the elaboration of the Partnership Contracts with the Member States and deriving national programmes. The CSF 2014-2020 aims to better link funds and policies with the Europe 2020 strategy and to contribute to the implementation of its three pillars (knowledge-based economy, sustainable growth and inclusion). It integrates the objectives of Europe 2020 with the thematic objectives such as they have been presented in the proposal for a regulation on Common Provisions for the different funds.

In the working document and its annexes, the European Commission confronts the Europe 2020 targets with the actual state of play. Based on this analysis, key targets and objectives that should be addressed by the different structural funds, are developed. In this framework, the Commission recognizes once again the important role of social economy and social enterprises. The European Social Fund (ESF) is to promote the latter through "capacity-building and support structures for the promotion of social enterprises, in particular through social entrepreneurship education and training, networking, the development of national or regional strategies in partnership with key stakeholders, and the provision of business development services and easier access to finance" and through a mobilisation of specific funds. When outlining general implementation principles for the structural funds, the Commission once again reiterates the need to support social entrepreneurship and highlights its great potential to generate social innovation.

For more information: http://ec.europa.eu/regional_policy/what/future/index_en.cfm

Proposal for a Regulation on a EU Programme on Social Change and Innovation (2014-2020)

A proposal for a Regulation on a European Union Programme for Social Change and Innovation (PSCI) was published by the European Commission, in October 2011, in the framework of the above mentioned legislative package on EU cohesion policy 2014-2020.

Social entrepreneurship and, in particular, improved access to finance for social enterprises, will be one of the main priorities of the new programme.

Allowing, amongst other aspects, for a continuation of the PROGRESS programme, the PSCI will consist of three axes:

1. the Programme for Employment and Social Solidarity programme (PROGRESS; budget allocated: 60% of total budget):
2. the European Employment Services programme (EURES; budget allocated: 15% of total budget):
3. Microfinance and Social Entrepreneurship (budget allocated: 20% of total budget):

In this document, the European Commission defines a social enterprise as "an enterprise whose primary objective is to achieve social impact rather than generate profit for owners and stakeholders. It operates in the market through the production of goods and services in an entrepreneurial and innovative way, and uses surpluses mainly to achieve social goals. It is managed in an accountable and transparent way, in particular by involving workers, customers and stakeholders affected by its business activity". In its proposal, the European Commission recognises social enterprises as "a cornerstone of Europe's pluralist social market economy" and "drivers of social change". At the same time, it deplores "insufficient knowledge of the needs and capabilities of civil society organisations, social enterprises and social entrepreneurs and public sector organisations". With the axis for microfinance and social entrepreneurship the European Commission intends to increase access to microfinance for disadvantaged groups of the population, to strengthen microcredit providers and to support development of social enterprises in general. Participation will be possible for all local, regional and national public and private bodies that provide microfinance or financing for social enterprises.

The proposed total budget for the EU Programme for Social Change and Innovation amounts to 958.19 million. The programme will run from 1 January 2014 until 31 December 2020.

For more information: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52011PC0609:EN:NOT>

Proposal for a directive on Public Procurement

In December 2011, the European Commission issued a proposal for a directive on public procurement with which it intends to simplify existing rules .

The document contains a number of aspects that are of great interest to social economy.

First of all, the European Commission introduced a specific set of rules for some social services, including health and social services, administrative educational, healthcare and cultural services or "other community, social and personal services". The European Commission proposes a specific regime to be introduced for public contracts for these services that are equal or go beyond the threshold of EUR 500 000 (under this threshold, given the limited cross-border dimension, the directive shall not apply). Member States have thus the discretion to organize the choice of service providers following their own rules and criteria. Only basic principles such as transparency and equal treatment have to be respected.

Moreover, following the Commission proposal, Member States maintain the right to reserve procurement procedures and contracts "to sheltered workshops and economic operators whose main aim is the social and professional integration of disabled and disadvantaged workers". In this context, the Commission lowered to 30% the employment rate of disabled and disadvantaged workers such economic actors would have to respect.

Furthermore, the European Commission's proposal enables contracting authorities to apply different forms of procedure (open or restricted), depending on the specific case. These include the competitive procedure with negotiation, a negotiation procedure without prior publication or competitive dialogue. In addition, contracting authorities are given the opportunity to conclude innovation partnerships as "a new special procedure for the development and subsequent purchase of new, innovative products, works and services, provided they can be delivered to agreed performance levels and costs".

With regard to selection criteria to be applied in the framework of a public procurement procedure, contracting authorities keep the right to choose either the lowest cost or the most economically advantageous tender. A new initiative taken by the European Commission on the request by a large number of stakeholders is to enable public purchaser to select a product, service or works based on a calculation of their life-cycle costs. Are included: "(a) internal costs, including costs relating to acquisition, such as production costs, use, such as energy consumption, maintenance costs, and end of life, such as collection and recycling costs and (b) external environmental costs directly linked to the life cycle, provided their monetary value can be determined and verified, which may include the cost of emissions of greenhouse gases and of other pollutant emissions and other climate change mitigation costs."

Finally, to improve access specifically of SMEs to public procurement, the Commission proposal intends, on one hand, to encourage contracting authorities to divide contracts into lots and, on the other hand, to interdict requests for a minimum turnover of economic operators going beyond three times the estimated contract value.

For more details: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0896:FIN:EN:PDF>

State aid - Almunia package

After a period of debate and consultation on a revision of the so-called "Altmark package" (or Monti-Kroes package") on state aid rules for services of general economic interest (SGEI), Joaquín Almunia, Vice-President of the European Commission and Commissioner responsible for competition, tabled, in September 2011, his proposals for a revised legislation on the issue.

Almunia proposes to replace the three existing legal documents of the Altmark package by:

- a *Communication* on the application of the EU State aid rules to compensation granted for the provision of services of general economic interest;
- a *Decision* on State aid in the form of public service compensation for SGEI, including new rules regarding exemption from state aid modification;
- a *Communication* on an EU framework for State aid in the form of public service compensation (including the application of the four *Altmark* criteria);
- a *Regulation* on de minimis aid granted to undertakings providing Services of General Economic Interest

Two major changes for social services are contained in the above mentioned proposals:

- a) the exemption from notification of hospitals and "undertakings in charge of certain social services", and
- b) the modification of de minimis rules in a way that a public service compensation of *150 000 EUR per fiscal year* to an *enterprise with an annual turnover of less than EUR 5 million during the two preceding financial years by a local authority representing not more than 10 000 inhabitants* is considered not to distort competition /affect trade.

Moreover, with regard to services of general economic interest, the European Commission suggests to raise the de minimis ceiling to 500 000 EUR over a period of three fiscal years.

In the communication "EU framework for State aid in the form of public service compensation", the European Commission further tried to clarify (the application of) concepts and terms such as "Reasonable profit" or "Overcompensation" (reference to all four Altmark criteria is made).

Next to simplifications for local and social SGEI, however, the Commission also introduced stricter rules, e.g. regarding the methodology allowing for a correct calculation of the amount of the compensation.

For more information: http://ec.europa.eu/competition/state_aid/legislation/sgei.html

Europe 2020 and the European Platform against Poverty and Social Exclusion

In the framework of the implementation of the so-called Europe 2020 strategy for a knowledge-based economy, sustainable growth and inclusion, the European Commission, in December 2010, established the Platform against Poverty and Social Exclusion.

The work of the platform will focus on the following areas for action:

- Delivering actions across the policy spectrum;
- Greater and more effective use of the EU Funds to support social inclusion;
- Promoting evidence-based social innovation;
- Working in partnership and harnessing the potential of the social economy;
- Enhanced policy coordination among the Member States.

The Commission, in its communication, recognizes the important role social economy plays in bringing innovative responses to emerging social needs and to challenges that neither the state nor market are able to meet. Therefore, it announces to support the development of the social economy as a tool for active inclusion, in particular by a) contributing to improve legal structures relating to foundations, mutual societies and cooperatives operating in a European context, b) tabling a "Social Business Initiative" as well as by c) facilitating access of social economy to relevant EU financial programmes.

Next to the ESF and the PROGRESS programme (integrated in the future EU Programme for Social Change and Innovation), the European Platform against Poverty and Exclusion can be considered a main instrument of DG Employment and Social Affairs to work on issues related to social economy, to dialogue with stakeholders and to contribute to the development of social-economy-related initiatives of other DGs (such as they have been mentioned above).

For more information: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52010DC0758:EN:NOT>

REVES position

An assessment of EU policy initiatives 2011/2012 and their impact on social economy

Executive summary

Social Business Initiative

- *Definition*: REVES holds that a Social Business Initiative should recognize the different degrees to which enterprises/entrepreneurs engage themselves for society and deliver (social) added value. Therefore, a clear distinction should be made between socially responsible enterprises (CSR) and social enterprises, but also between social economy and other types of (social) enterprise. Social enterprises emerging out of social economy combine both - the social objective of their activities AND a method of production of goods or services that is based on a number of specific values.

- *Visibility*: An important means to raise the awareness of citizens and other actors on the potential of social economy is to promote the inclusion of teaching on social economy into education and training. Furthermore, it appears vital to foster a stronger dialogue and cooperation between social economy, traditional type of enterprises, trade unions and employer organisations, public authorities and others.

- Due to the costs of extensive certification and labelling procedures, but also due to specific local/regional contexts and needs, a future European label should build on existing initiatives and be based on general social economy values only.

- With regard to "*capacity building of national and regional administrations*" REVES invites the European Commission to cooperate *with* and use material/expertise *of* already existing regional, national and European networks bringing together local and regional authorities to work on social economy.

- *Funding*: Next to micro-credit, it appears crucial to more strongly facilitate and support the existence of private funding initiatives, in particular those coupled with specific mentoring and those set up by social economy as such. Moreover, EU funding could, to a larger extent, partly be reserved for and therewith lever the creation of mixed funds at local/regional level able to guarantee the continuation and sustainability of undertakings.

European Social Entrepreneurship Fund

- With regard to the definition of the qualifying undertaking, REVES calls on policy-makers to include the second criterion ("a method of production of goods and services that embodies its social objective") not as an alternative to the first, but as a compulsory addition.
- REVES holds that for sectors requiring a strong investment intensity (e.g. social housing, hospitals), exceptions should be applied as regards the proposed threshold of the EuSEF (500 million EUR, art. 2) and the turnover of qualifying undertakings (max. 50 million, art. 3).
- It appears vital that the EuSEF manager provides transparent information on the contents and the character of (max. 30%) acquisitions of assets other than qualifying instruments.
- REVES calls for transparency with regard to the origins of funding to be made an obligation in order to ensure the EuSEFs fully serve society.

EU Cohesion policy 2014-2020: Legislative proposals

- REVES calls on the European Commission and other policy-makers not to limit social economy to social inclusion programmes only.
- It appears indispensable to work on techniques and tools for the creation and animation of partnerships (the edition of an experience-based vademecum appears useful).
- REVES recommends to pay particular attention also to ex-ante community-based diagnosis and community-based assessment of programmes and operations as essential steps for the fruitful use of the funds. The promotion of local action groups in a broader context appears to be an appropriate instrument also in this context.
- An increased use of global grants is fundamental in the promotion of sustainable local development strategies and the development of SMEs, including social economy.
- REVES recommends to reserve an appropriate share of the funds to mixed-funds able to mobilize local endogenous resources to create diverse lasting local financing facilities.

Public Procurement

- REVES invites the European Commission to facilitate cross-reading of Art. 4 and Art. 74 and subsequent in order to help public authorities to more easily identify the part of the directive that would apply to the specific case.

- Social innovation partnerships should be exempted from the provisions of the directive.
- Provisions such as those set out in Art. 11 (*see detailed position below*) should be modified taking into account the specific character of undertakings pursuing clear general interest objectives.
- REVES encourages the European Commission to develop a sectoral regulation with regard to sheltered workshops and economic operators whose main aim is the social and professional integration of disabled and disadvantaged workers.
- The application of price criteria only in the evaluation of tenders should be excluded.
- Evaluation of the economically most advantageous offer: REVES calls on the Commission to loosen the reference to the subject matter in order to allow public authorities to pursue multiple policy objectives and act in a coherent way.
- REVES strongly encourages the Commission to include social criteria in the definition of life-cycle costs.

State aid - Almunia package

- REVES welcomes the clarification concerning the exemption of *certain* socially relevant services, but does not recommend to fix an exhaustive list of such services at EU level in order not to compromise role and competences of local/regional authorities as well as the creation of new, socially innovative services.
- With regard to the calculation of reasonable profit, REVES invites decision-makers to better define profit, but also to consider criteria relating to the use of profit.
- As a general remark, however, REVES urges the Commission to consider the possibility of defining a specific framework (for the exemption from the notification procedures) of the social sector (i.e. of aids provided to undertakings dealing with social services, without profit distribution aims), which should be regarded as a strategic sector.

DETAILED REVES POSITION

Social Business Initiative

REVES welcomes the new focus the European Commission places on social entrepreneurship/social economy. It hopes the initiative will finally contribute to promote undertakings that serve society instead of abusing from social/environmental/economic resources to the detriment of the general interest and sustainable development. REVES also highly appreciates the collective effort of several DGs, in the context of these proposals, to make their policies and strategies more coherent. Moreover, cities, regions and social economy look forward to the work of the high-level expert group GECES regarding the implementation of the Social Business Initiative and hope to have the opportunity to contribute to a large extent.

Definition of social enterprise

REVES holds that a Social Business Initiative should recognize the different degrees to which enterprises/entrepreneurs engage themselves for society and deliver social/environmental added value. Therefore, a clear distinction should be made between socially responsible enterprises (CSR) and social enterprises. Even though both types of enterprise contribute to social sustainability, only social enterprises emerging out of social economy deliver a clear social added value for territories (local communities) and citizens. Social enterprises emerging out of social economy combine both - the social objective of their activities AND a method of production of goods or services that is based on a number of principles such as democratic management and participation/empowerment, limited distribution of profits or cooperation.

Social enterprises emerging out of social economy are correctly described, e.g. in European Parliament resolution of 19 February 2009 on Social Economy (2008/2250(INI)) as "a business model that cannot be characterised either by its size or by its areas of activity, but by its respect for common values, namely, the primacy of democracy, social stakeholder participation, and individual and social objectives over gain; the defence and implementation of the principles of solidarity and responsibility; the conjunction of the interests of its user members with the general interest; democratic control by its members; voluntary and open membership; management autonomy and independence in relation to public authorities; and the allocation of the bulk of surpluses in pursuit of the aims of sustainable development and of service to its members in accordance with the general interest..."

Social enterprises emerging out of social economy may have different "social objectives". Some might focus on work integration of specific groups, others on other objectives linked to the needs of a community and general interest (e.g. recycling, social services, education and training...). Yet, in addition, all social enterprises emerging out of social economy pursue

social objectives with their above mentioned way of functioning (in terms of participation, open membership, democracy...).

When it comes to stakeholder participation, the latter is, in many cases, not limited to the impact of 'commercial activities' of the enterprise, but to entire policies and strategies with which the enterprise wishes to provide an added social (but also cultural/environmental) value to its employees/members/clients/beneficiaries and, in a number of cases, also to the community (pursuit of general interest).

REVES encourages the Commission to better clarify its definition, also and in particular with regard to terms/concepts such as 'social objective'/'social justice' or "involvement" - terms which could make it easy for non-social enterprises to profit from/make abuse of specific measures by only slightly adjusting or masking their performance.

In this sense the terms "social enterprise", "social entrepreneurship", "social economy" and "social business" should thus not be used as synonyms in general.

It should also be depicted more clearly that social enterprises emerging out of social economy - due to their basic values and principles of functioning - implement CSR on a daily basis (and go much beyond CSR!). However, not every enterprise carrying out CSR actions is a social (economy) enterprise!

Social Innovation

With regard to social innovation there is a need to stress that social economy enterprises do not only "respond with social innovation to needs that have not yet been met", but are above all and first of all able to identify these needs, to respond in a flexible way to changing needs and, based on their often widespread local network, to mobilize different actors and citizens (and therewith resources) when searching for the most appropriate response. This makes them important partners also for local/regional authorities.

Enhancing visibility

Following this argumentation, REVES strongly encourages the European Commission and Member States to support measures that would make these features better visible for the general public. Politicians and other local/regional key players should be made aware of the added value, in terms of local development and general interest, of social enterprises emerging out of social economy (e.g. also through dissemination of studies such as the one on resilience of cooperatives in the crisis² etc.). Citizens should be informed about the opportunities social (economy) enterprises offer in order to benefit from them, get involved, but also to be able to make appropriate choices as customers.

An important way to increase visibility of social economy, also and above all among young people, is, for instance, to include it as a subject in education and training modules, to encourage initiatives such as pupils' cooperatives or to promote a specific "ERASMUS for young social economy entrepreneurs".

² <http://www.cicopa.coop/Resilience-of-cooperatives-to-the.html>

REVES holds that labeling and certification might not be the most appropriate and efficient means to raise visibility of social economy enterprises, given that a number of these enterprises are not able to take part in often costly and time-consuming certification or labeling procedures. Yet, where labels/certificates exist, they should remain local/regional in order to take into account the diversity of enterprises and the various local/regional contexts. A future European label should be based on more general principles of social economy only (e.g. such as they have been mentioned in the EP own initiative report). For the time being, the proposal by the European Commission, to compare existing labels and certifications in the framework of a database, appears interesting and appropriate.

Capacity building of national and regional administrations

With regard to "capacity building of national and regional administrations" REVES invites the European Commission to cooperate *with* and use material/expertise *of* already existing regional, national and European networks bringing together local and regional authorities to work on social economy.

Cooperation with traditional businesses and the social partners

In relation to the problem of 'traditional businesses' not valuing the experience of young graduates having worked/working with social economy, due, for instance, to a lack of knowledge, REVES suggests the Commission could encourage a stronger dialogue between (social enterprises emerging from) social economy and 'traditional social partners'. Experience at local/regional level shows that dialogue between trade unions, employer organisations and social economy (the operations of which cross themselves at different points) might finally not only serve to make each of these actors better aware of the actions of the other, but could also lead to concrete joint actions in different fields (e.g. joint development of concepts/instruments promoting quality jobs/fighting precarious work, joint creation and maintenance of enterprises and therewith of jobs, joint establishment of ethical finance initiatives/institutions).

Facilitating access to (private) funding

- Even though much could be done to create a proper level-playing field for social enterprises emerging out of social economy also by improving their access to funding(see below), REVES would like first of all to point to the fact that a large part of the problems these enterprises encounter are also rooted in a lack of (legal) recognition of their performance and of its added value (for local communities).

- A number of private funding initiatives (e.g. 'clubs of investors', mutual guarantee funds, community foundations...) already exist in several European Member States. They prove that there is a type of investor that does not primarily seek for a (high) financial return, but rather for opportunities and (new) actors contributing to (socially) sustainable development in their city/region. Such practices should be made much more visible and their experimentation be encouraged.

Furthermore, REVES would like to draw the attention of decision-makers to the existence also of funding solutions developed by social economy as such. The potential of cooperatives

and alternative banks and financial companies, but also other, less institutionalized instruments such as cash-pooling, employers' groupings etc. should be more closely analyzed and disseminated.

- Yet, it should also be highlighted that (private) funding initiatives have always been particularly successful and sustainable in the long term, if they were coupled with accompaniment and mentoring processes. REVES suggests that measures to promote the establishment of private funds should also encourage such mentoring models.

- At the same time, the European Commission should raise the awareness of the added value of private funding initiatives vis-à-vis such Member States where the collection and re-distribution of finance is reserved to banking monopolies.

- In order to ensure sustainability of initiatives/enterprises, it appears vital to facilitate access of social enterprises emerging out of social economy to different type of funding.

In this context, the promotion of mixed funding appears vital. A combination, for example, of EU funding with other local public and private sources of funding would allow for injecting important investments into the creation of new enterprises or restructuring, while also providing the opportunity to create networks of investors (and consumers) allowing the enterprise to finally become self-sufficient/independent from (European) public support...

- Even though also better access to micro-credit plays an important role when it comes to the development of social enterprises emerging out of social economy and REVES appreciates related proposals in the EU Programme for Social Change and Innovation, the latter should not limit measures for social enterprises to micro-credit. The programme should also allow for the analysis, development and experimentation of other forms of support and cooperation/partnership between social enterprises (emerging out of social economy), 'traditional' enterprises, local/regional authorities and other actors.

Reinforcing the managerial capacities, professionalism and networking of social businesses

- Business incubators for social economy should be adapted to its peculiar principles of functioning and the (social) activity carried out by this kind of undertakings. Experience has proven that it is highly unlikely that business incubator models from other sectors might fit.

- Even though *exchange* also with 'traditional' business may be fruitful, any kind of "advice from other business leaders or bankers" might not, in particular if the 'adviser' does not have a certain knowledge and experience regarding objectives and functioning of social economy enterprises and the context in which they operate. Good models regarding exchange between social economy and other business, however, do exist - for example, in the case of accompanied investment funds (such as clubs of social investors or diverse community initiatives such as community foundations that bring together different actors and knowledge/expertise (whilst respecting and spreading basic social economy principles).

The REVES position on other points of the Social Business Initiative (such as the Social Investment Funds - now called European Social Entrepreneurship Funds, or public procurement and state aid reforms) can be found hereafter.

*Proposal for a Regulation for European Social Entrepreneurship Funds
(EuSEFs)*

REVES welcomes the proposal for a Regulation on “European Social Entrepreneurship Funds”, aimed at laying down uniform requirements for those managers of collective investment undertakings who wish to use the designation “European Social Entrepreneurship Fund (EUSEF)”, in as far as it could help to improve the availability of financial resources for social economy undertakings, alongside already existing and well established financial dedicated facilities.

However, REVES underlines the necessity to better clarify, or adapt, some of the provisions of the Commission proposal, in particular:

In Art. 2, the proposal limits the EuSEF to a threshold of EUR 500 millions. REVES holds that such a threshold should at least foresee exceptions for those sectors of social intervention requiring strong investment intensity, such as, for instance, social housing or similar.

In Art. 3, the proposal limits the definition of qualifying undertakings to those having a turnover not exceeding EUR 50 million, or an annual balance sheet total not exceeding EUR 43 million. Also in this case, exceptions should be foreseen for those sectors characterized by high investment intensity.

In the same Art. 3, while defining the qualifying undertaking, the Commission refers to two alternative characteristics: 1) the undertaking provides services or goods to vulnerable or marginalized persons; or 2) the undertaking employs a method of production of goods and services that embodies its social objective. REVES holds that these two characteristics should not be considered alternatively but co-existing.

In Art. 5 the proposal foresees that no more than 30% of the EuSEF’s aggregate capital contributions and uncalled committed capital is used for the acquisition of assets other than qualifying instruments. REVES holds that already at this stage the proposal should underline the necessity for the EuSEF manager to provide transparent information on content and character of such acquisitions.

Additionally, REVES considers that, given the particular sensitiveness of the sector, the manager shall provide details on the provenience of the funds constituting the EuSEF in the most large and transparent way, beyond national obligations, and make this information available to the public.

EU Cohesion policy 2014-2020: Legislative proposals

The direct link and complementarity of regional policy with other policy areas is obvious and should better be taken into consideration - also and in particular when it comes to developing policy proposals aiming to strengthen social economy.

REVES welcomes and further encourages different Directorate-Generals to more closely coordinate with DG Regio that plays an important role in the promotion of social enterprises emerging out of social economy and that already made considerable efforts to link other policy departments to the elaboration of its policy proposals.

In REVES' view, the objectives and principles underlying cohesion policy (social, economic and territorial integration), rooted in the treaties, have to be considered the point of departure of other EU policies and strategies instead of cohesion policy serving only as an 'instrument' for the implementation of the latter.

REVES welcomes the proposals of the European Commission for EU cohesion policy 2014-2020 and the specific provisions concerning social economy and social enterprises. Yet, given the crucial role and function the latter play on the ground, REVES urges policy-makers not to limit social economy to social inclusion programmes only. A more transversal approach facilitating their participation in the pursuit of the different objectives of the funds should be applied. Social economy are SMEs that show themselves particularly effective in the pursuit of the EU 2020 objectives, including, for instance, the development of economic initiatives contributing to environmental sustainability.

However, the potential of EU cohesion policy (and of the proposals made by the Commission for the new programming period 2014-2020) could still be used to a much larger extent to support social economy. In this context, much has already been done, but much more *could* be done in the framework of partnerships between social economy, local/regional authorities and other actors.

REVES therefore welcomes the even stronger focus the Commission places on partnership both in the programming and in the implementation phase of the Funds and the intention to make the implementation of this partnership principle at least partially compulsory. Experiences at local/regional level prove that such an approach is likely to maximize the impact of the Funds and to contribute to the pursuit of objectives also of other EU strategies and policies.

REVES recommends to pay particular attention to the techniques for building and managing a partnership: Given that broad partnerships should represent a large spectrum of different interests, it is fundamental to identify roles and functions of the different partners since an early stage. An experience-based vademecum on the creation and animation of local and regional partnerships appears particularly useful.

In REVES' view and experience, a partnership approach is most often community-based. Under this point of view, the tools and techniques proposed by the Commission as examples (e.g. the LAG Leader partnerships, territorial employment pacts etc.) should be mainstreamed together with new approaches. Past experiences should better be evaluated from the point of

view of their strengths *and weaknesses*. REVES welcomes the Commission's intention to promote local action groups in a broader context.

REVES recommends to pay particular attention also to ex-ante community-based diagnosis and community-based assessment of programmes and operations as essential steps for the fruitful use of the funds. This could be achieved through the application of already existing appropriate participatory techniques (eg. the TSR© approach from REVES).

In terms of implementation techniques, REVES welcomes the proposal to foster the use of global grants. Indeed, past experiences show that this specific tool could be particularly appropriate for community-based development of local policies and strategies around social economy and for a better division of tasks among different stakeholders. Additionally, such a tool could provide an appropriate framework to develop small structures (SMEs, to which also social economy belongs) and an important support for simplification, as proposed by the Commission. The recent study of the European Economic and Social Committee “It takes two to tango” clearly demonstrates this.

REVES welcomes the insistence of the Commission on the leverage effect cohesion Funds should have. In order to further enhance this effect, REVES recommends to reserve an appropriate share of the funds to mixed-funds able to mobilize local endogenous resources to create diverse lasting local financing facilities. This would also guarantee the sustainability of the European Unions’ interventions in the field of social enterprises emerging out of social economy and related partnerships.

The use of conditionalities is likely to be a good approach in order to increase the impact of the Funds. REVES recommends the Commission to make a specific effort in order to make it very clear to the regional level how these conditionalities will be defined and what will be their actual impact on the local and regional implementation of the programmes.

The identification of general indicators for evaluation and assessment of the interventions is obviously extremely important. REVES recommends the Commission to take into due consideration performance indicators defined at local and community level and to improve the use of qualitative indicators besides quantitative indicators (thereby promoting measuring of local social added value produced by the programmes and operations).

The Commission correctly rises the issue of the ownership of the results of the interventions. REVES recommends the Commission to keep in due consideration the impact of public opinion for the correct implementation and pursuit of common EU objectives. A specific reference to the involvement of the public sphere in the discussions concerning the programming phase could bring an important added value in terms of shared ownership of common EU objectives.

Proposal for a directive on Public Procurement

REVES welcomes the proposal from the European Commission on a directive for public procurement.

REVES reminds that the Commission's proposal was preceded by a Green Paper that has been object of a public consultation between late 2010 and early 2011. Such an initiative allowed to collect different points of view for a proposal that would be more consistent with European societal development. REVES encourages the European Commission to further extend this practice in the field of public procurement and other domains and to improve it.

Even though the Commission's proposal includes interesting points, some of which were raised also by REVES at the time of the consultation, REVES considers nevertheless useful to carry out a critical review of some aspects with the aim of proposing further improvements, where relevant.

In Art. 4, the proposal sets out the thresholds above which the proposed directive shall apply to procurement activities. REVES calls for better clarification to be provided already at this stage concerning the application of the directive. This clarification should allow for an easier cross-reading between point d) of Art. 4 (*EUR 500 000 threshold for social and other specific services*) and Art. 74 and subsequent (*award of contracts for social and other specific services where the threshold is equal or greater than the threshold indicated in article 4d*). This should help purchasing authorities to identify more easily the parts of the directive applying to the specific case.

In Art. 5, concerning the estimation of the value of the purchase, the proposal refers to innovation partnerships, where “the value to be taken into consideration shall be the maximum estimated value net of VAT of the research and development activities to take place during all the stages of the envisaged partnership as well as of the supplies, services or works to be developed and procured at the end of the envisaged partnership”. The practical application of such a provision could reveal particularly difficult when it comes to social innovation partnerships, given the difficulty to quantify the costs of research and development activities. REVES encourages the Commission to specify this point and exempt social innovation partnerships as such from the provisions of this directive.

In Art 11, the proposal sets out three cumulative conditions under which a contract could be awarded by a contracting authority to another legal person and would not fall under the provisions of the directive: “(a) the contracting authority exercises over the legal person concerned a control which is similar to that which it exercises over its own departments. (b) at least 90 % of the activities of that legal person are carried out for the controlling contracting authority or for other legal persons controlled by that contracting authority; (c) there is no private participation in the controlled legal person”. REVES expresses its reservations concerning point (c), as such a condition might reduce the potential of partnerships between local authorities and social economy established under a clear general interest objective and clearly submitted to general interest control. Therefore, REVES proposes the Commission to specify that point c) would not apply to private players pursuing clear general interest objectives.

In Art. 17, the proposal foresees the possibility that “Member States may reserve the right to participate in public procurement procedures to sheltered workshops and economic operators whose main aim is the social and professional integration of disabled and disadvantaged workers or provide for such contracts to be performed in the context of sheltered employment programmes, provided that more than 30% of the employees of those workshops, economic operators or programmes are disabled or disadvantaged workers. The call for competition shall make reference to this provision”. REVES strongly supports such a provision and hopes this specific field to be considered in the future as relating to essential interests of member states and therefore object of an appropriate sectoral regulation.

Art. 66 stipulates lowest cost as a selection criteria, alternatively to the most economically advantageous offer. REVES strongly disagrees with such a provision, notwithstanding the fact that the latter is mitigated by the possibility to exclude abnormally low offers. In point 2 of the same article, the proposal considers for the evaluation of the most economically advantageous offer only criteria that are “linked to the subject matter”. REVES considers that the reference to the subject matter should be loosened so as to allow public authorities to pursue multiple objectives via the purchase activity. REVES fears that the necessity to define the subject matter in a stricter way may strongly limit the potential of the purchase activity in pursuing multiple policy objectives, as well as the clear individuation of the most suitable work or service that would best respond to the needs on which the purchase is based. In any case, social quality criteria should be considered alongside environmental and other criteria foreseen under point 2 (a) and 2(d) of the aforementioned article.

In Art. 67, point 2, the proposal introduces the possibility to use a life-cycle costing approach. REVES welcomes this, but highlights the necessity to introduce social criteria alongside environmental criteria in the definition of life-cycle costs, as social costs relating to the production process of works and services might cause side effects that would have to be borne by purchasing authorities at a later stage.

REVES welcomes the introduction of specific procedures for the award of specific social services under title III. Given the central role these services play in the pursuit of the European Social Model, REVES proposes to completely eliminate the possibility to base the choice solely on price criteria. More in general, REVES suggests the implementation of the provisions under the present title to be accompanied a) by an information campaign on the possibility to apply title III and b) by the creation of a database of quality criteria used by different purchasing authorities which could serve as a mutual learning tool.

State aid - Almunia package

REVES welcomes the Decision of the Commission of 20 December 2011 “on the application of Article 106(2) of the treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economy interest”, in as far as it contributes to the clarification of certain aspects relating to the entrustment of essential public services.

However, REVES regrets that the Commission decided not to issue a specific decision for Social Services of General Interest. Even though such services are (partially) quoted in Art 2, point (c), a dedicated decision would have greatly helped to clarify the framework.

The Commission states that “Hospitals and undertakings in charge of social services, which are entrusted with tasks of general economic interest, have specific characteristics that need to be taken into consideration. In particular, account should be taken of the fact that, in the present economic conditions and at the current stage of development of the internal market, social services may require an amount of aid beyond the threshold in this Decision to compensate for the public service costs. A larger amount of compensation for social services does thus not necessarily produce a greater risk of distortions of competition. Accordingly, undertakings in charge of social services, including the provision of social housing for disadvantaged citizens or socially less advantaged groups, who due to solvency constraints are unable to obtain housing at market conditions, should also benefit from the exemption from notification provided for in this Decision, even if the amount of compensation they receive exceeds the general compensation threshold laid down in this Decision. The same should apply to hospitals providing medical care, including, where applicable, emergency services and ancillary services directly related to their main activities, in particular in the field of research. In order to benefit from the exemption from notification, social services should be clearly identified services, meeting social needs as regards health and long-term care, childcare, access to and reintegration into the labour market, social housing and the care and social inclusion of vulnerable groups”.

REVES welcomes such a clarification concerning the exemption of *certain* socially relevant services. However, it is not clear if the listing provided by the European Commission in the aforementioned paragraph should be considered as *exhaustive*. Should this be the case, REVES wonders whether this would not compromise the capacity of local and regional authorities to fully fulfill their obligations in the best possible way. In fact, social needs, and therefore social services, are changing rapidly, as they are very much influenced by fluctuations of social and economic conditions. Additionally, the fixing of an *exhaustive* list would hamper the creation of socially innovative services, often provided by partnerships created between local authorities and social economy undertakings.

The Commission reminds that “in order to avoid unjustified distortions of competition, the compensation should not exceed what is necessary to cover the net costs incurred by the undertaking in operating the service, including a reasonable profit”. REVES welcome such clarification and following specifications aimed at stating more precisely how such reasonable profit should be calculated. Yet, in this context, REVES invites decision-makers to better define profit, but also to consider criteria relating to the use of profit.

As a general final remark, relating to the State aid regulation as a whole, REVES urges the Commission to consider the possibility of defining a specific framework for the social sector.

Such a framework could include, for example, the exemption from the notification procedures of aids provided to undertakings dealing with social services, without profit distribution aims. This is justified when considering the fundamental and strategic role the social sector plays in guaranteeing the social wellbeing of EU citizens and preserving the European Social model.

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