

BACKGROUND INFORMATION

EP's Social Economy Intergroup public hearing on

Financing social economy enterprises

Social impact investment and EU financing mechanisms

Thursday 25 June, from 10:00 to 12:00

European Parliament, room A1G2

The European Parliament's Social Economy Intergroup

The European Parliament's Social Economy Intergroup was created in 1990, and has established an impressive track-record as a platform and facilitator of the Inter-Parliamentary dialogue, as a linking pin between the Social Economy sector and the MEP's.

Thanks to the support of 80 MEP's, from 6 political groups, the Intergroup has been re-launched for this eight European Parliament's mandate.

The EP's Social Economy Intergroup is co-chaired by Jens Nilsson (S&D, SE), Ramón Luis Valcárcel (EPP, ES), Beatriz Becerra (ALDE, ES), Marie-Christine Vergiat (GUE/NGL, FR), and Sven Giegold (GREENS/EFA, DE). The Vice-Presidents of the Intergroup are Sofia Ribeiro (EPP, PT) and Elena Gentile (S&D, IT).

The main purposes of the European Parliament's Social Economy Intergroup are:

- To promote the exchange of views on the policies and legislation related to the Social Economy
- To constitute a regular dialogue between MEPs and social economy actors
- To ensure that the European Institutions take into account the importance of the European Social Economy, in the implementations of EU policies.

Social Economy in the European Union

Social economy enterprises are economic and social actors active in all the economic sectors. They are characterized principally by their aims and by their distinctive enterprise model. Currently, Social Economy represents a different type of entrepreneurship.

Social Economy is formed of: cooperatives, mutual societies, foundations and associations, as well as newer forms like social enterprises.

There are 2 million social economy enterprises and organisations in the European Union, representing 10% of all the European enterprises. More than 11 million, about 6% of total employment, work for social economy enterprises.

Social economy enterprises and organisations are particularly active in certain fields such as social security, social and healthcare services, insurance, banking, renewable energies, education, training and research, tourism, renewable energies, consumer services, industry, agrifood, handicraft, building, cooperative housing, associated work, as well as in the domains of culture, sport and leisure activities.

Social Economy is a highly innovative sector, developing new initiatives to meet today's new challenges: rise of inequalities, sustainable development, population ageing in Europe, social exclusion etc.

Social Economy, is contributing to several key EU objectives, such as the achievement of a smart, sustainable and inclusive development; quality employment creation and retention, social cohesion, social innovation, local and regional development, international cooperation and development, environmental protection etc.

The legal form a social economy enterprise or organisation may take varies from one Member State to another. However Social Economy is distinguished from capital-based companies by shared principles and common characteristics, in particular:

- ***Primacy of people and of the social objective over capital***
- ***Democratic control by the membership¹***
- ***Voluntary and open membership***
- ***The combination of the interest of members/user and/ society (general interest)***
- ***The defence and application of the principles of solidarity and responsibility***
- ***Autonomous management and independence from public authorities***
- ***Reinvestment of the essential surplus to carry out sustainable development objectives, services of interest to members or of general interest***

The Social Economy:

→ is founded on the principles of solidarity and collective involvement in a process of active citizenship.

→ generates high quality jobs and a better quality of life, and offers a framework suited to new forms of enterprise, work and responsible consumption.

→ plays an important role in regional and local development and social cohesion

→ is socially responsible

→ is a factor of economic democracy

→ contributes to the stability and pluralism of markets

→ Contributes to key European Union's priorities and strategic objectives, such as: smarter, sustainable and inclusive development, social cohesion, full employment and the fight against poverty, participatory democracy, better governance, sustainable development etc.

The Social Economy is considered as “corn stone” of the European Social model.

Social Economy Europe: the EU-level organisation for the Social Economy

Social Economy Europe (SEE) is in charge of the secretariat of the European Parliament's Social Economy Intergroup.

Social Economy Europe was set up in November 2000, under the name of CEP-CMAF. Cooperatives, mutual societies, associations, foundations deemed it essential to establish a permanent dialogue on European policies that are of common interest.

Social Economy Europe defends the general interest of the European Social Economy formed of: cooperatives, mutual societies, associations, foundations and newer forms like social enterprises.

SEE believes that social economy enterprises and organisations contribute to a more diverse, democratic, cooperative and responsible economy. The Social Economy can contribute to face major economic, social and environmental challenges, through social and environmental innovation. Social economy demonstrates that another economy is possible.

SEE members are:

- EU organisations representing the Social Economy families
- EU national umbrella organisations representing the Social Economy
- EU networks promoting and supporting the social economy enterprise model

A financial ecosystem for social economy enterprises and organisations

Access to finance is a general concern for all SME's and, particularly, for social economy enterprises and organisations, due to the mainstream financial institutions lack of knowledge of the specificities of the Social Economy enterprise model.

Access to finance is a key factor to allow the further development of the social economy enterprises and organisations across the European Union and, therefore, to have a diverse economic and social landscape in the European Union.

Consequently, it is fundamental to create a financial ecosystem for the Social Economy. To further develop the sector and its contribution to key EU social and economic objectives: sustainable, smart and inclusive growth, good quality employment creation, social cohesion promotion of an entrepreneurial spirit and an active European citizenship.

In order to meet this challenge, access to finance for the Social Economy will be a major topic for the upcoming Luxembourg's presidency of the Council of the EU. A conference on ***Financing Social Economy Enterprises***, organised by the Presidency, will take place on 3 and 4 December 2015 (bringing together representatives of the European Social Economy).

The members of the EP's Social Economy warmly welcome Luxembourg's government efforts to promote the further of the Social Economy in Europe.

State of the art

Over the last years, the European Commission launched several initiatives to improve the financing of social economy enterprises: the Social Impact Investing (aiming to improve the financing of social economy enterprises and organisations), the Social Impact Investment Package (aiming to reinforce the social dimension of the European Union and to "reform" the European welfare systems), or the European Social Entrepreneurship Funds (EUSEF).

Particularly in the last years coinciding with the economic and financial crisis, a universe of social economy financial institutions (a mix of new and veteran institutions: cooperatives banks, mutual funds etc.) have increased their visibility, social support and market share.

Policy recommendations to improve the access to financing for the Social Economy:

In line with the Rome strategy, based on the proceedings of the Conference ***Unlocking the potential of the Social Economy for EU Growth***, organised by the Italian Presidency of the Council of the EU on 17 and 18 November (2014):

- The European Fund for Strategic Investment (EFSI) should target social investments involving social economy actors, in the same proportion adopted for the Structural Funds.
- The European Commission should promote and strengthen dedicated financial instruments for social economy enterprises (such as EUSEF).
- The European Institutions and the Member States should encourage traditional banks to enhance their risk assessment practices in order to more accurately estimate the risk associate with ending to social economy organisations.
- It is important to encourage social economy actors to mobilise their financial resources to further develop the European Social Economy (through the creation and strengthen of cooperative banks and mutualistic funds).

In relation to Social Impact Investing and social impact measurement:

- The European Commission should work to improve the financing of all social economy enterprises and organisations: cooperatives, mutual societies, associations, foundations, as well as social enterprises.
- Concerning social impact measurement, which is not a consensual issue, further dialogue between the Commission and social economy organisations is needed.
- The difficulties of measuring social impact should be taken into account. Establishing a quantitative approach could be dangerous, especially in relation with the social services sector (and damage the quality of social services).
- Social impact investment should not aim to replace the public administrations responsibility of financing core activities in the social services sector.