



EUROPEAN COMMISSION
Internal Market, Industry, Entrepreneurship and SMEs DG



Jean-Claude Mizzi, GROW F2
8th Social Enterprise World Forum 2015
02 July 2015, 14:00 – 15:30
Milan/ IULM 1 – 5th Floor – Room 156

W13. Workshop



Social Enterprise for a new growth and better jobs

Pat Tsao, Pan Asian Innovation Association for young entrepreneurs,

Taiwan; Jean-Claude Mizzi, European Commission, EU; Roberto Di

Meglio, ILO, Svizzera; Peter Stadler, FAF Berlin, Germany

Moderator: Jim Schorr, Social Enterprise Alliance, USA

INTRODUCTION SPEECH

- The Social Enterprise World Forum is one of the very few and most important events in the world that brings together all stakeholders dealing with social entrepreneurship. This is why I am very happy that we have it back to Europe this year.
- We are all here to pay tribute to the importance of social economy, to work for more innovative way of doing business, leaving its social and measureable impacts.
- Yesterday was an important day for social entrepreneurship in Europe, and not only due to the opening of the World Forum! It was also the first day of the Luxemburgish Presidency of the Council, which has put “Social economy and social enterprise” as one of their key priorities. It is good to see, after the Greek and Italian Presidencies last year, another Member State choosing social enterprise as a tool to achieve more growth and more inclusive Single Market.

Let me start by explaining the European context and the reasons why the European Commission decided to act in the area of social economy

- Social economy is clearly on the rise in the EU, not least because it had been very resilient throughout the recent crisis. Social enterprises did better than mainstream companies, for example in terms of a much smaller failure rate for start-ups.
- Social economy represents now clearly more than 10 % of the European GDP, above 11 million workers and 5 % of the active EU population. One out of 4 new entrepreneurs in the EU is a "social entrepreneur". For Finland, France and Belgium it is even 1 out of 3.
- The recently published mapping study of the Social enterprises in the EU provides for the first time a clear and full picture. Although the progress remains diverse, we can see a strong momentum in Europe, with the social enterprise policy making headway in several countries (Ireland, Croatia, Latvia, Lithuania, Malta, Poland, Luxembourg and Romania).

Now, why is the European Commission active in this sector?

1st ... because it makes sense to invest in social entrepreneurship:

- Social enterprises create both economic and social value: they contribute to growth and create jobs in a sustainable manner, mostly locally through non délocalisables positions. They bring an indispensable "inclusive" dimension to the single market.
- Moreover, social enterprises are often strong drivers for innovation and respond to needs that are otherwise not met, or not met in an optimal manner by public authorities and/or market players.

2nd ... because the EU can and does make the difference:

- EU action gives political recognition and political significance to social entrepreneurship, thus acting as a catalyst for reforms at the Member State level. (In part) as a result of the SBI, several Member States have launched significant legislative reforms / action plans to support social entrepreneurship in their countries (e.g., recent or ongoing legislative reforms in DK, SI, FR, ES, PL, PT, MT, etc.);
- EU action also gives more visibility to the sector – enabling an exchange of best practice, the creation of networks across borders, etc. It helps to validate a movement that is still operating (too much) in the margins of the mainstream economy;
- EU regulation crucially affects the (regulatory) conditions in which social enterprises operate. For instance:
 - recent reform of public procurement at the EU level has paved the way for new forms of more socially responsible and innovative procurement at the national level. This is of key importance for the development of the sector
 - state aid regulation has been relaxed to take account of the needs of social enterprises (but going forward, there might be a need to see whether current state aid rules are still fit for purpose)
 - regulatory reform in the financial sector is also crucial. In fact, social enterprises increasingly need private funding, and depend on the availability of private funding schemes adapted to their particular needs (crowdfunding, social impact bonds, implementation of the EuSEF regulation)
- EU funding acts as an important lever for social entrepreneurship development:
 - Structural and regional funds have clearly helped promote social entrepreneurship in the East and South of Europe (a clear case is PL).
 - Funding programmes such as Erasmus for young entrepreneurs (can) also help foster capacity-building.
 - COSME programme for SMEs will be used from 2016 on for social entrepreneurship projects (implementing SBI, capacity building and best practises).
- It was used already in 2014 and this year to support the organisation of a specific conference on social enterprise by the respective EL, IT and LU Presidency of the Council.

So what did we achieve since 2011 when the Social Business Initiative was launched?

- Firstly, we improved access to private, public and hybrid funding and gave more visibility to social enterprises.
- The reform of the Union's Public Procurement rules, besides opening-up of public procurement markets, also paved the way to a more inclusive and sustainable business activities.
- The new rules encourage the strategic use of public procurement; in particular they favour social inclusion and support social entrepreneurship. To that aim, public buyers have in their disposal a number of tools. For example:
 - By taking into account the production process of the goods, services or works to be purchased, they may favour the company that intends to employ the greatest number of disadvantaged people, such as the long-term unemployed.

- The possibility to reserve procurement procedures for such cases has been extended and the minimum percentage of disabled / disadvantaged employees required has been reduced to 30%.
- Public buyers can also make use of the horizontal "social clause". This clause ensures that economic operators respect the applicable obligations in the field of environmental, social and labour law.
- Main priority now is to ensure that these new policies and instruments are fully used, at national and local levels and all Member States must transpose these new directives by 16 April 2016.
- On the funding side, since July 2013, a new European investment fund framework for investing in social enterprises is in place. The European Social Entrepreneurship Fund ('EuSEF') regulation grants all managers of such funds a European 'passport' to raise capital for social enterprises.
- In exchange, the manager has to prove that he really invests in social enterprises. This is done through common benchmarks to measure the 'social' impact of his investments.
- The question of measuring the social impact relates to the general access of social companies to finance. That is why the so-called GECES expert group set up by the Commission produced recently a guidance document on social impact measurement. This will further help investors to measure and social enterprises to demonstrate the social impact of their actions.
- Structural and regional funds have already helped promote social entrepreneurship in the East and South of Europe. Poland is a clear case.
- For the 2014-2020 period the novelty is that the regulatory framework for these funds explicitly enables Member States to finance social enterprises.
- Moreover, the Commission recommended to Member States to include Social Enterprises and Social Innovation as a specific funding priority. As a result around 1.3 billion € for European Social Fund and 420 million € for European Regional Development Fund are now earmarked in the Member States for projects by social enterprises.
- This massive public money (1.7 billion €) should now be implemented on best projects. It will be useful to see how these funds are being used in practice, with a view to distilling some best policy making.
- Yet another instrument is the Social Entrepreneurship Network, run by Poland, and including 9 other Member States. This network will build up the capacity of national and regional administrations to implement and promote best projects involving social enterprises. A new transnational – involving geographic macro-regions - thematic network on social economy is scheduled to start operating from this month onwards.
- Except structural and regional funds, the Commission supports the social enterprises' access to finance and the development of social investment markets through dedicated instruments.
- For example, under the new EU programme for Employment and Social Innovation (EaSI) at least EUR 86 million will be used for this purpose until 2020.
- A new guarantee scheme for social enterprises was just launched last week through the European Investment Fund. This funding is designed to bring social enterprises to a level playing field with mainstream companies. It is expected to generate additional 240 million EUR in the social enterprises finance markets.
- The Commission also supports financially European networks of micro-finance.

Let me say a word now on Social innovation

- SMEs, and more specifically social enterprises, are key players of the internal market and the driving force of social innovation. Our single market should be the natural 'springboard' for social entrepreneurs and innovators. Precisely because they bring solutions to problems which – by definition – affect each and every one of us.

- Our objective is to engage the whole community of these "change-makers" in order to create a pool of solutions for societal challenges. All SMEs, business intermediaries and investors should be interested and, when needed, encouraged by public authorities to support this effort, including by the European Union.
- Likewise traditional corporations should take their share in this movement through so-called "social intra-preneurship".
- More and more European companies allow and often encourage the creation of new social enterprises through internal start-ups. These start-ups develop as new business units managed differently than mother companies - with profits reinvested mainly in the social objectives.
- In order to identify young entrepreneurs and support new ideas, the European Commission organises every year a European Social Innovation Competition.
- This year's 3rd edition theme was precisely on 'new ways to grow'. It aimed at putting forward new solutions to societal challenges, notably by tapping into the push for circular economy or the appetite for the collaborative economy.
- We received more than 1400 ideas to advance Europe's growth model! This is a great demonstration of the aspiration for social innovation in Europe, isn't it?
- On November 25th, in Brussels, the 3 prizes of 50.000 euros will be awarded to the most promising social innovations developed throughout this year's Competition.

What about the external dimension? Let me say some words on our support of social enterprises outside the EU.

- The Strasbourg Event organised by the Commission in January 2014 gathered 2000 stakeholders from around the world. This event had a huge impact especially via the Strasbourg declaration, drafted during the conference by social entrepreneurs and which calls the EU to commit itself to developing, promoting and supporting an eco-system in which social enterprise can thrive.
- In March 2014 a large platform of civil society organisations launched a Belgrade Declaration, mirroring and adapting the Strasbourg declaration and focusing on the Development of Social Entrepreneurship in the Western Balkans and Turkey.
- The aim was to raise attention of the decision-makers on the steps needed to develop social economy as a relevant model for the sustainable social development in the region.
- Since then the Commission has increasingly included the topic of social entrepreneurship in the call for proposal of the Civil Society Facility, a neighbourhood policy making and funding tool.
- The Commission has also supported a cycle of follow up events in the Western Balkans and Turkey. As a result, the social enterprise and entrepreneurship model - a novelty in this region – has received significant attention by both the public and private sectors.
- The European Commission was also very active in the G8 Social Impact Investment Taskforce launched in 2013 in London. The report released last October encompasses a lot of European ideas such as the method developed by the Commission expert group to benchmark the measurement of 'social' impact, a crucial issue for the development of the sector.
- Likewise, the Commission welcome the Turkish G20 Presidency proposal to initiate work on the role of the private sector in inclusive business, and we will be very active to promote, when appropriate, the European model of Social entrepreneurship.
- On the development policy, the EU policy is based on the recognition that the private sector is an essential partner in reducing poverty since it is the main engine of sustainable growth. It is also the driving force that integrates developing countries into productive supply chains and the global economy.
- 2015 is an important year from this perspective as we are moving towards this summer's conference on Financing for Development in Addis Ababa and the Climate Change agreement in Paris in December. Making private sector a partner is essential in ensuring success.

- It is against this background that the Commission adopted last year a Communication calling for the private sector to play a major role in creating socio-economic growth, so that poor people can lift themselves out of poverty.
- It also calls for a replication and scaling up of innovative business models and for financing of social enterprises which is key for the support of social entrepreneurs ecosystem.
- Inclusive business (IB) models that include low-income people both as consumers and clients, and as producers and entrepreneurs, offer interesting prospects for immediately impacting the poorest part of the population. Building inclusiveness in business can help maximize the positive impact on the 4 billion people that today live under 8\$/day, at the "Base of the Pyramid".
- The Commission also encourages European social enterprises and cooperatives to operate actively in developing countries by establishing partnerships with their local counterparts. This way they could transmit their know-how, skills and experience.

In conclusion

- Social entrepreneurship will stay on the Commission's agenda for the years to come.
- We must highlight the importance of the social economy in the development of the collaborative or sharing economy. This is going to be one of key elements of Internal market Strategy, to be adopted in October.
- Also the Commission will adopt end of 2015 a strategy that on Circular economy. Considering the importance of social enterprises in the recycling economy, I encourage you to participate to the public consultation we launched.
- Until 20 August you can express your views via the website of the European Commission.
- For the SBI it was important to adopt a top-down approach in order to bring quickly the dossier very high in the European agenda. For the future, we will develop a more bottom-up approach, fostering the co-creation of new initiatives with the other European Institutions, the Member States and all stakeholders.
- This is why we renewed in June and for the next 3 years our group of 70 experts from all 28 Member States on Social entrepreneurship (GECES).
- I would like to mention the 2 day conference on “social enterprises”, organised by the LU Presidency supported by the Commission on the 3rd and 4th December in Luxembourg city.
- So have no doubt: the European Commission will do its best to shape a smart and robust ecosystem that will make the EU the most attractive region in the world to do business with social and environmental impact.