

## **CECOP's conclusions and proposals** **at the occasion of the conference of the** **European Commission on social enterprises**

**Brussels, 6 March 2009**

### **Opportunities and priorities for social enterprises**

**By Felice Scalvini, President of CECOP**

First of all, I would like to thank the European Commission to have entrusted to us, CECOP, the conclusions of this conference. It is a coherent choice, considering that CECOP regroups at the European level the most substantial part of what is generally called social enterprises, with about 9000 social cooperatives and 270 000 workers throughout Europe.

We have had a particularly interesting day, even though we should regret the time lost in the morning to criticize the report on social enterprises commissioned by the European Commission and presented at the beginning of the conference, which was entirely due to the very bad quality of the aforesaid report, as almost all people who intervened during the debate explicitly expressed.

This is extremely regrettable, because, precisely in this moment, there is a particularly pressing need for the EU to rigorously deepen its work on the phenomenon of social enterprises, at least to be on a par with other institutions such as the OECD and UNDP, both of whom recently published reports and very interesting documents on this phenomenon. Indeed, it is not only a European phenomenon, but a worldwide one. The proof is that more than 150 proposals of papers coming from around 40 countries on all continents have been sent for the international scientific symposium on social enterprises organised next July by EMES and EURICSE, the new European Research Institute on Cooperatives and Social Enterprises, based in Trento in Italy.

If this is the state-of-the-art, as has been clearly confirmed by today's work, the conclusions that we can draw should, in my opinion, hinge around five points:

1. Why it is necessary to reach a clear and univocal definition of social enterprise
2. This definition must contain some basic elements.
3. DG Enterprise can stimulate member states to gradually elaborate a homogeneous legal framework.
4. As of now, DG Enterprise can already intervene on a set of relevant issues linked to sectoral measures.
5. DG Enterprise can launch programmes for the development of those enterprises

## **1 - Why it is necessary to reach a clear and univocal definition of social enterprise**

While recognizing the diversity of what it is agreed to call 'social enterprises', it is necessary to reach a univocal concept.

This search for a univocal concept is even more important in the historic moment that we are living in Europe, with complex transformations of the economy and society, exacerbated by the present crisis in which an important return of the state is taking place, including in domains of general interest.

This new entrepreneurial phenomenon should be promoted and encouraged at the European level, at least for four important reasons:

- a. It represents a new and original entrepreneurial paradigm that, directly or indirectly, can represent one of the most important elements for change in the present worrying state of the European economy.
- b. It already responds to the needs of general interest of millions of people across Europe.
- c. It represents a fundamental element of social cohesion and social inclusion.
- d. It constitutes a very important source of jobs.

Nevertheless, it will not be possible to valorise such elements only if we reach a univocal and shared concept of social enterprise, because it is the only way for it to acquire all its strength and relevance on the European social and economic stage.

## **2 - This definition must contain some basic elements**

In order to valorise and bring to their full potential the four above-mentioned factors, it is also necessary to ensure that the most fundamental characteristics of this new entrepreneurial phenomenon be clearly recognised. On the basis of the debate initiated by EMES in 1997, and the observation of best practices on the ground both from the point of view of the entrepreneurial viability and of the mission of general interest of those enterprises, and in coherence with today's debate, we can outline the following features.

What we define here as 'social enterprises' are enterprises that:

- are characterised by a clearly **private** nature (even though they can include representatives of the local authorities in their membership);
- are characterized by a **diversity of legal forms, while having a clear and recognized entrepreneurial nature** (which means that they finance themselves by selling goods or services on the market);
- are **involved in the production of goods or services of general interest**, namely goods or services that are fundamental and common to the citizens in general, including particularly weak categories of the population, on a given territory or community ;
- are characterized by the **social purpose of the surpluses**: in this sense, those enterprises can generate profits, but the latter must be used for the development of their activities and of their mission of general interest.

From CECOP's viewpoint, these enterprises should also be characterized by an important participatory component, so as to exercise their missions of general interest in the best possible way. Therefore, we consider that they should also be characterized by:

- A **control on the enterprise by members/stakeholders**;
- A **democratic and participatory governance**;

- The **valorisation of the heritage of the local community**.

It is fundamental that the main source of financing of the enterprise be not subsidies but the sale on the market of goods or services, even though the situation is, in some cases, still in transition, as we saw during the day.

### **3 - DG Enterprise can stimulate member states to gradually elaborate a homogeneous legal framework**

In order to guarantee the fundamental characteristics mentioned in section 1 above, which are necessary to ensure that these enterprises accomplish their mission of general interest, a national legal framework is needed.

In fact, a legal framework of one type or another (for the social enterprises as a whole or for particular categories or legal forms in particular), and under different denominations, already exist in at least 10 out of the 27 EU member states. All these national laws have been voted during the last 17 years, which clearly indicates that an increasing number of member states consider that this type of enterprises requires a precise legal framework.

We thus propose that DG Enterprise be the promoter of a **comparative and exchange activity between the authorities of member states, assisted by the main involved actors, within the framework of the open method of coordination (OMC)**, in order to clarify the common points that exist and the best elements to reach a higher level of convergence. All the others lines of action will be stronger if we can have a basic legal framework.

### **4 - As of now, DG Enterprise can already intervene on a set of relevant issues linked to sectoral measures**

In parallel with the work mentioned under the previous point, it is possible and urgent to proceed to the identification of public policy issues linked to the mission and the activity of social enterprises, which the EU legislation and public policies should take into account from now on.

Let me mention some of them:

- Within the framework of the Public Procurement Directive, it is necessary to properly define the 'protected workshops ' mentioned in art 19 of the directive, as this expression is undefined at the European level and lacks a legal basis in almost all member states. An interpretative communication on this point would thus be necessary.
- Within the framework of the transposition in progress of the Services Directive in national legislations, the Commission should encourage a clear definition of the general interest concept by each member state (article 1) and a clear formulation of the exclusion of some social services from the scope of the directive (article 2), as well as a clarification concerning the conditions by which the public authorities entrust general interest missions to private enterprises whose very mission is the general interest (namely the social enterprises in the definition provided above).
- More generally, it is necessary to gradually establish a normative and public policy framework on services of general interest and social services of general interest (SGI/SSGI) at the European level that clearly recognizes the role of social enterprises as private enterprises whose very mission is the general interest.

## **5 - DG Enterprise can launch programmes for the development of those enterprises**

We ask that the promotion of the social enterprises be more clearly encouraged within the framework of community programmes, and in particular Progress, in order to support entrepreneurial development, exchanges and best practices, as well as dialogue between the representative organisations and the public authorities. In this respect, a stronger interaction between DG Enterprise and DG Employment and Social Affairs would be desirable.

However, we should underline that the promotion of social enterprises at the European level should not only be seen as a responsibility of the European Commission, but also requires that the representative organisations that we constitute make a particularly strong effort in this regard. Indeed, we have advantage the habit to represent our organisations that to collaborate between us. There is a problem of cohesion of social enterprises that must not be left to the public authorities. We should overcome narcissist tendencies and establish alliances among us to work together. Otherwise, our dialogue with the public authorities will be fragmented and incoherent.