

Promoting Social Entrepreneurship in the European Union

Questionnaire to the European political parties prior to European Elections in May 2019

1. Which significance do you ascribe Social Entrepreneurship in finding solutions to current and future societal challenges in the EU and EEC?

European Greens:

A great significance, especially in times of economic, social and environmental challenges. One of the general policy aims of the European Greens for the next Parliament is to move from soft principles on social policy to hard legislation. We want a “Social Union” with at least as much legal force as the Economic & Monetary Union, the Banking Union or the Stability and Growth Pact. European Greens believe that firms of which the main objective is to have a social, societal or environmental impact for the general interest - whether it is the products or services provided or the work itself that provides the main social benefit - should be given every encouragement. Such firms explicitly target various aspects of well-being and participation in society in a way that general for-profit firms do not. With the climate emergency requiring all aspects of society and the economy to pull together to contribute to a just transition to a new sustainable basis, firms primarily seeking social and environmental returns will be in the forefront of the transition.

Socialists & Democrats:

A very large significance. Social and solidarity-based enterprises combine wider social, environmental and community objectives with a management which follows an entrepreneurial model. Not necessarily always non-profit, their activities are varied but involves services intended to improve the society, in particular supporting individuals in precarious circumstances or affected by socio-economic exclusion and to facilitate work integration for disadvantaged groups. In light of the social value created and their ability for reintegrating long-term unemployed, to further social cohesion and economic growth, social entrepreneurship is a big part of the society that the S&D Group strives for, and is many times the answer to the challenges standing before us, such as climate change and the creation of a sustainable, fair and inclusive society. Moreover, currently, the social economy provides employment for millions of people in the EU.

FDP's top German candidate for the European elections, Nicola Beer:

For liberals social entrepreneurship is self-administration of society for society. We rather trust in decisions and business models from social entrepreneurs than in government processes.

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2. Are you planning on supporting Social Entrepreneurship in the EU in the future? In what way?

European Greens:

Yes. European Greens actively supported the original EU Social Entrepreneurship proposal, helping to better define the criteria for a qualifying enterprise in order to preserve the integrity of the “EU label”. We have a longstanding record of supporting governance models, in all sectors, which ensure better alignment of business objectives with stakeholders, especially employees and customers. These include cooperatives, mutual and other structures where stakeholders have meaningful influence on company policies.

Socialists & Democrats:

The “Report of the independent Commission for Sustainable Equality: Well-being for everyone in a sustainable Europe (2018)”, which was strongly supported by the S&D Group, includes a number of recommendations with regard to the social economy. They will serve as guidelines for our work in the next parliamentary term;

- Promote diverse business models including co-operatives, employee ownership, multi-stakeholder ownership models, trusts or other forms to foster a more diversified economic business structure which incorporates social and environmental externalities better than today and provides for fairer distribution of income and wealth
- Develop policy initiatives and use existing EU instruments and programmes to encourage and help young people to engage with the social economy, such as within the circular economy;
- Adapt national and European statistics to ensure good data is made available on the social economy to better inform, guide and monitor relevant policies
- Foster at national, regional and local levels the role of public or publicly regulated non-profit enterprises to build eco-social public services
- A European “Responsible Business” label to allow people to identify whether a given company ensures social and environmental responsibility, and good corporate governance
- Realising sustainable public procurement: Pro-active use and its monitoring of social and environmental criteria in public procurement by public entities
- Make social and environmental criteria in public procurement compulsory

FDP's top German candidate for the European elections, Nicola Beer:

Most social entrepreneurs need the same support as established companies do: Better access to finance, less bureaucracy but also fair government procurement that allows social entrepreneurs to compete with established companies. For us the ability to scale-up and

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broaden services is key for social enterprises and should be implemented in forthcoming policies.

3. From your perspective: In what way need legal and tax regulations in EU countries be formulated in order to foster social enterprises?

European Greens:

European Greens is a strong supporter of rational taxation - fiscal incentives where the market would otherwise stifle beneficial new activities and fiscal disincentives to discourage and pay for negative externalities.

True social entrepreneurship that

(1) meets a clear and enforceable definition and

(2) suffers from a demonstrable market failure (i.e. where an activity is deemed in the general interest but investment is not forthcoming) warrant public subsidy which could be in the form of tax reductions or loan guarantees etc.

(1) requires more work on defining social objectives and measuring their achievement in a way that is consistent with agreed EU social policy objectives - notably the Sustainable development Goals and the EU Social Pillar.

(2) requires more pro-active monitoring of social start-ups and the barriers they face. Protecting small investors who want to put their money to work for good causes is another important way to improve the flow of capital to such enterprises. This requires limits on the amount any individual can invest based on their wealth and risk profile and related responsibilities for investment advisors.

Socialists & Democrats:

Tax regulations remain mostly a national duty. However, social enterprises might face unfair competition with large multinationals which are taking advantage of a widely divided patchwork of national tax system. Worse, they might even exploit loopholes or negotiate with EU governments to get tax advantage. The EU can help in fighting both tax evasion and tax avoidance and therefore restore fair competition conditions. It can also ease the administrative burden of social enterprises that would operate cross border.

For example, the Commission has proposed a common and consolidated corporate tax base, which not only would allow a cross border company to report tax in one country only (while the revenues will be shared among EU countries). It has also proposed a new system for VAT aiming at limiting fraud and easing the collection of VAT through a one stop shop. Unfortunately, those proposals are blocked by finance ministers. This is a reason why sending MEPs who fight for tax justice would help restore a balance of power and help push for those needed reforms.

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The S&D is also fighting for defensive measure such as a minimum effective level of taxation at 18%, which would ensure all companies contribute they faire share.

In EU Member States social enterprises can take a variety of legal forms and statuses, ranging from more traditional legal forms (i.e. associations, foundations, cooperatives, mutual, share companies) to new legal forms exclusively designed for social enterprises. In light of this diversity of legal forms available across Member States, there does not currently exist a consensus in the EU for setting up a specific form of social enterprise. Instead, the JURI Report on a statute for social and solidarity-based companies adopted by the Parliament in July 2018, which S&D supported, recommends a creation of a ‘European social label’ for social and solidarity-based enterprises in order to give these enterprises more visibility and foster a more coherent legal framework. This label should only be awarded to enterprises complying with the following criteria:

- (a) the organisation should be a private entity established in whichever form available in Member States and under EU law, and should be independent from the State and public authorities;
- (b) its purpose must be of general interest and/or public utility;
- (c) it should conduct a socially useful activity, as determined by law, either ex ante or through a general clause;
- (d) it should be subject to a total or at least partial constraint on profit distribution and to specific rules on the allocation of profits and assets during its entire life, including at dissolution; in any case, the majority of the profits made by the undertaking should be reinvested or otherwise used to achieve its social purpose;
- (e) it should be ruled following democratic governance models involving the persons affected by the activity; members’ power in decision-making should not be based only or primarily on any capital stake they may hold;

The label is however optional, leaving the decision on whether or not to apply for it with the undertaking. Social enterprises bearing the European social label should be recognised as such in all Member States in which they carry out their social activities and should enjoy the same benefits, rights and obligations that the social enterprises incorporated under the law of the Member State in which they operate. A mechanism should also be established in close cooperation with Member States for the protection of the European social label and the prevention of the establishment and operation of ‘false’ social enterprises. This mechanism should ensure that enterprises bearing the European social label are monitored regularly regarding their compliance with the provisions set out in the label. Any infringements shall be

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subject to effective and proportionate penalties, established by the Member States to ensure that the label is not improperly obtained or used.

S&D supported the idea of a European social label instead of a separate legal form at EU level, as currently legal forms for social and solidarity enterprises vary so largely in the Member States. However, S&D also sees this as a ‘first step’ in order to create further coherence and foster the development of these enterprises on the internal market and do not exclude separate legal forms in the future in order to create a better level-playing field and enhanced legal certainty.

FDP's top German candidate for the European elections, Nicola Beer:

All companies should be subject to the same tax rules. This will prevent distortions and in some cases fraud. This is why we are pushing for a Common Corporate Tax Base in the EU.

4. How do you plan on developing adequate financial investment instruments for social enterprises and social startups in the EU?

European Greens:

While European Greens have no specific proposals at this stage, we feel that boosting the European Investment Hub and proactively reaching out at local, regional, national and EU level to potential projects is key. There are already many EU instruments that can be used, from the directly managed funds under InvestEU (with 4 billion if EU guarantee for social investment alone) to ESF. The problem is awareness and ease of access.

Socialists & Democrats:

Corporations are key players in shaping the type of society we all live in. In order to build a truly sustainable society, they have to play their part. Social Start-ups and SMEs are not only key players when it comes to employment but also have a key role to a social and ecological sustainable transition.

- European programmes to facilitate social economy start-ups
- Realising sustainable procurement: Public authorities need to drive sustainable development goals through their public procurement contracts by pro-actively applying environmental and social procurement criteria as defined in the new European legislation
- Establish a European Responsible Business label to allow citizens to buy goods or services from, or work at, or invest in, companies that meet a set of social and equality rights, and environmental criteria

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- Establish a European Statue for Benefit Corporations inspired by the US and the Italian Model, which serves as an instrument to finance and promote companies with strong positive social and ecological sustainable impact.
- Member States should ensure that social start-ups and other social economy organisations have adequate access to finance, including through public banks and supportive public financial schemes, and through innovative financing sources.
- Promote divers business models including cooperatives, employee ownership, multi-stakeholder ownership models, trust or other forms to foster more diversified economic business structure which incorporate social and environmental externalities better and fairer distribution of income and wealth, and ensure access to capital market for SMEs and start-ups

FDP's top German candidate for the European elections, Nicola Beer:

Social enterprises need more micro-finance products for their needs, especially up to 25.000 Euro in the seed stage. We still need more venture capital to make more investments of more than 5 million euro.

5. **How can effective links be built across sector borders that do not remain limited to exchange but lead to joint activities towards the Sustainable Development Goals? How are you planning on supporting these links in the EU and EEC?**

European Greens:

While European Greens have no specific proposals at this stage, we feel that it is also the role of public actors such as the European Investment Hub, NDBs together with investment platforms to encourage social enterprises to team up in a proactive, EU policy driven "matchmaking" function.

Socialists & Democrats:

Our firm conviction, as detailed in the attached report on sustainable equality and particular in chapter 7 (<https://www.progressivesociety.eu/publication/report-independent-commission-sustainable-equality-2019-2024>) is that the transition towards a sustainable society will require active and adequate institutions (at all level) capable of conceiving, supporting and organisation it.

That is the very rationale why we are calling for a new sustainable European governance based on a sustainable development Pact to be developed around a sustainable development cycle instead of the current European semester cycle. Our primary aim is to ensure that economic social and environmental considerations are addressed on equal footing and

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dealt with in a holistic way. That will require among many other things to set EU political objectives based on a new range of (existing and new) indicators which support a quest for wellbeing for all instated of a single minded focus on growth and productivity as it is currently the case.

FDP's top German candidate for the European elections, Nicola Beer:

Both national governments and the EU have to invest more resources into policy coherence to achieve the SDGs. Joint procurement and joint policies are necessary in the EU Commission.

6. How can data availability on social enterprises be enhanced (e.g. about their social impact, their prevalence)? What are your plans for the EU?

European Greens:

As mentioned above, a reliable, common “taxonomy” of social enterprises and understanding of who to grade their social impact along SDG, Climate Action, EU Social Pillar etc dimensions is key to useful monitoring. This needs a legislative proposal similar in spirit to that recently proposed for “sustainable investments”. European Greens would welcome an EU wide database of key information on Social Enterprise and investment funds that specialise in funding them to promote stakeholder awareness and investment.

Socialists & Democrats:

National and European statistics institutions need to collect data on social, economic, and good-governance criteria in order to address social and environmental conditions of companies and their corporate social responsibility. When assessing the effectiveness of policy initiatives and EU instruments and programmes related to social economy these data is crucial. Additionally, a socially and environmentally sustainable evaluation framework of the implementation of those EU programmes will lead to more efficient guidance and monitoring.

FDP's top German candidate for the European elections, Nicola Beer:

The availability of key contacts in the EU administration should be the first objective. Procurement processes and financing options could be coordinated this way. Platforms for social enterprises can also play a role.

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7. What are your plans for making EU public tenders more accessible to social enterprises?

European Greens:

European Greens believe that transforming society, including its relationship with the environment and the economy, requires governments to lead, not only with fiscal incentives, but with good examples. Public procurement (whether at EU or Member State level) must meet the highest standards of probity (transparency, rule of law) and also be completely consistent with public policy objectives. That includes setting requirements for social impact of suppliers which should automatically favour firms with a social objective.

Socialists & Democrats:

It appears that 55 % of public procurement procedures still use the lowest price as the only award criterion, instead of, for instance, strategic social and environmental criteria.

Most of the provisions that allow boosting social procurement are not mandatory and Member States have a crucial role in the transposition phase. It seems that many Member States are interested in making public tenders more accessible to social enterprises, but are hesitant to make use of the possibilities offered by the 2014 public procurement directives, as they are unsure how big the margin for manoeuvre is. Furthermore, some Member States have faced extensive litigation from certain corporations when tenders have been made more accessible. That is why we will put pressure on the Commission to guide Member States to make them fully aware of the opportunities they have to boost social and green procurement and to finalise swiftly the Guidance on Public Procurement of Innovation and the Guide on socially responsible public procurement, in order to facilitate the implementation of the respective legal provisions in the Member States.

SMEs and social economy enterprises are still facing difficulties in accessing public procurement. That is why we are calling on the Commission to assess the effectiveness of the measures provided by the 2014 directives and to come forward with new solutions if necessary.

FDP's top German candidate for the European elections, Nicola Beer:

EU public tenders should acknowledge the sustainability commitment of social enterprises and develop a transparent point system in evaluating pitches from social enterprises.

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8. How do you plan on making Social Entrepreneurship more visible in the EU?

European Greens:

European Greens welcomes competitions such as the EU Commission's Social Innovation competition as a way of regularly fostering and showcasing new ideas and implementations of social enterprise. We also believe that there should be more pro-active "marketing" of funding opportunities (from EU Funds, EFSI/InvestEU and other private sources) at local level to encourage more people with good ideas to try to turn them into a workable enterprise.

Socialists & Democrats:

The social economy is very important as a driver of sustainable growth and employment. Social- and solidarity companies generally create better quality for our society and the communities they act within, as they are driven by social values, not by profit.

A European label for social enterprises is a first step to create more coherence and to facilitate for these companies to act cross-border and gain access to the internal market.

The creation of a 'European social label', introducing some common standards, will facilitate the visibility of these companies and their much important work on the EU level. S&D also always try to incorporate the views and needs of social and solidarity-based enterprises in our work on all forms of legislation that can affect these undertakings.

FDP's top German candidate for the European elections, Nicola Beer:

We need to make clear that market-oriented solutions to global problems are coming from society itself and not from governments. For more visibility, the EU should set up a targeted finance mechanism for social enterprises.

9. In what way are you planning on strengthening support organisations for Social Entrepreneurship in the EU?

European Greens:

We believe the European Investment Advisory hub should extend and deepen its interactions with development banks and investment platforms at national, regional and local level specifically in the SE area. The EU should encourage the establishment investment platforms with specifically social objectives.

Socialists & Democrats:

The COSME programme is foreseen to run until 2020. Its successor, the Single market programme (2021-2027) will bring together six programmes (among them COSME) and numerous actions, previously separate, under one coherent framework. The general objective of

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the new programme is to focus on the following areas: consumers protection, competitiveness especially for SMEs, food safety, statistics and standards. The Commission is proposing a budget of 4 billion euros for the 2021-2027 period, with an estimated breakdown as follows: 5% consumers; 5% standardisation; 11% single market; 14% statistics; 24% competitiveness of SMEs; 41% health.

In the EP report adopted in Feb 2019 (S&D Rapporteur Danti), we have managed to increase the total envelope of the programme, from 4 bil as foreseen by the Commission to 6.2 billion and we have doubled the support of SMEs in relation to COSME programme 2014-2019 – meaning that the dedicated budget for SMEs is 3.1 billion in EP's position.

There is also a focus on social economy:

- the regulatory framework should accommodate new innovative business models, including collaborative economy models and social entrepreneurship, while ensuring a high-level of social protection, including for entrepreneurs.
- The Programme create appropriate conditions to introduce technological and organisational innovation in the production processes, paying attention to specific forms of SMEs such as micro enterprises, enterprises engaged in craft activities, the self-employed, the liberal professions and social economy enterprises.

The negotiations with the Council will start after the elections (most probably during the Finnish Presidency), and of course, social economy enterprises will be a key priority for our Group.

FDP's top German candidate for the European elections, Nicola Beer:

Social enterprises allow society to react with smart, market-oriented solutions to global problems that cannot be solved by governments alone. Therefore, we support the idea of new institutions that have the resources to finance and oversee social enterprises in all stages of their development.

10. What are your plans regarding the availability of EU funding for social enterprises? How can barriers for social enterprises applying for funding be eradicated?

European Greens:

For publicly funded SE it is important to ensure that social recommendations are taken as seriously for the European Semester (where guidelines for national budgets are established) and that funding impact on deficits and debt for long term social investments are spread

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over the life of such investments. We believe the EU should explore the possibility of social bonds to raise capital for social investments.

Socialists & Democrats:

In the upcoming funding period 2021 to 2027, social enterprises will be included in the SMEs envelope. The aim was and still is to simplify the procedures as much as possible and to reduce barriers which will make it also easier for all type of enterprises including social enterprises to apply for EU funding. In the Common Provisions Regulations (CPR), which sets the rules for seven EU funds, as well as in the European Regional Development Fund (ERDF) and the Cohesion Fund (CF) the S&D Group was the leading force to reach a maximum in the policy objective (PO4) on social issues.

FDP's top German candidate for the European elections, Nicola Beer:

Social enterprises should be provided with better access to funding for small and medium-sized companies in Europe. As liberals, we strongly believe that social enterprises have better and more efficient answers to matters of general interest. Digitalization should be the trigger for leapfrogging in providing social and cultural services.

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