

**LEARNING FOR CHANGE**  
**A BETTER FUTURE FOR THE SOCIAL ECONOMY**  
**BASELINE STUDY**



MINISTRY OF REGIONAL DEVELOPMENT

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## Preface

This baseline study was commissioned from DIESIS by the Polish Ministry of Regional Development, the ESF Managing Authority leading the Learning for Change Network on a Better Future for the Social Economy (BFSE LfC). The overall objective of the network is to promote an increased impact of the social economy on society and environment.

The specific objectives of the LfC network are to:

- Improve the quality and efficiency of Structural Fund programmes and their impact on employment, social inclusion and training across the whole of Europe;
- Promote support for the social economy in participating Member States;
- Identify and disseminate good practices of support measures to countries where social economy is less developed;
- Develop EU policy and tools (vertical mainstreaming).

It is a learning network. Therefore the primary outcomes concern officials and key stakeholders dealing with the social economy and the European Social Fund.

The network has identified five specific strands of work, which are:

1. Community law and social services of general interest in the light of social inclusion
2. measuring social added value and quality standards
3. socially responsible public procurement and public social partnership in the context of social economy development
4. social franchising
5. financial instruments and mechanisms of fund's allocation to social economy.

The Managing Authorities involved in the network are: Poland, Flanders, Czech Republic, Sweden, Lombardy (IT), England and Finland.

The baseline study aims to assess the baseline state of play in order to be able to assess the changes that the network brings about. The study identifies what the problems are, describes what solutions are to be attempted, and orients the work of the network.

The first part of the study (Part A) gives a broad overview of the European context of the social economy and identifies the main stakeholders at European level. Part B analyses for each strand of work the context, the actions already taken, the state of play, the problems, the good practices, the proposed solutions and the stakeholders to be involved.

The baseline study has been prepared by DIESIS, a European support service for the social economy and has been coordinated by Dorotea Daniele. The sections on the specific strands have been prepared by the following European experts:

- Community law and social services of general interest: Patrick De Bucquois (CEDAG)
- measuring social added value and quality standards: Jeremy Nicholls (EUSROI Network)
- socially responsible public procurement and public social partnership: Francesco De Rosa (Inforcoop)
- social franchising: Dorotea Daniele and Keith Richardson (ESFN)
- financial instruments and mechanisms of fund's allocation to social economy: Christophe Guene (SOFI).

Special thanks go to Toby Johnson, Rocio Nogales (EMES) and Karine Pflüger (Social Economy Europe) for their precious suggestions and support.

## **PART A**

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## 1. THE CONCEPT OF SOCIAL ECONOMY IN THE EUROPEAN UNION

All over Europe social economy is characterised by a great diversity of experiences and of the theoretical approaches that attempt to describe them<sup>1</sup>.

Just to give an idea of the complexity of the definitional issue we can compare a French and a British approach

Traditional French social economy is composed by four families of actors: cooperatives, associations, mutual societies and foundations.

The French approach is a “negative” one, since it states that social economy groups different economic activities which are:

- Neither for-profit enterprises, since they have different aims and rules (not for profit), even if social economy enterprises often compete with conventional business for the same market.
- Nor public companies, since they belong to the private sector, even if they often pursue public objectives.

The British definition is much more concrete. The term Social Economy refers to the whole of the ‘not for personal profit’ and mutual aid sector. It includes community owned businesses, local self help organisations engaged in trading activities with social, economic or environmental benefit on a ‘not for private profit’ basis, ‘public good’ purpose trusts, co-operatives, mutual societies and non-trading organisations aimed at supporting local development. The term is used to link in with economic regeneration thinking rather than referring to any particular values or expertise that an organisation may bring.

The **European definition of social economy** is based on the French traditional concept. The most recent definition, approved in March 2002, states:

“The organisations of the social economy are economic and social actors active in all sectors. They are characterised principally by their aims and by their distinctive form of entrepreneurship. The social economy includes organisations such as cooperatives, mutual societies, associations and foundations. These enterprises are particularly active in certain fields such as social protection, social services, health, banking, insurance, agricultural production, consumer affairs, associative work, craft trades, housing, supply, neighbourhood services, education and training, and the area of culture, sport and leisure activities” (SOCIAL ECONOMY EUROPE<sup>2</sup>, the organisation representing the social economy enterprises at EU level).

According to SOCIAL ECONOMY EUROPE, the success of enterprises in the social economy cannot be measured solely in terms of economic performance, which is nonetheless necessary to the achievement of their goals in terms of mutualism and solidarity, but must above all be gauged by their contributions in terms of solidarity, social cohesion and territorial ties.

As a central component of organised civil society, the social economy provides a landmark for pluralism, participation, democracy, citizenship and solidarity, while supplying ample evidence that such elements are compatible with economic competitiveness and the capability of adaptation to social and economic change.

Moreover, European social economy enterprises are innovative insofar as they find new solutions to existing socio-economic problems across economic fields and identify new

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<sup>1</sup> “The Social Economy: Diverse Approaches and Practices in Europe and Canada” (J-L. Laville, B. Levesque and M. Mendell) in “The Social Economy – Building Inclusive Economy” (Ed. A. Noya and E. Clarence ; OECD (2007); chapter 5, p179)

<sup>2</sup> Charter of Social economy, published in 2002 by CEP-CMAF (European Standing Conference of Co-operatives, Mutual Societies, Associations and Foundations) former name of Social Economy Europe.

services and products in often untackled niches, thus contributing to the excellence of the EU in the area of innovation.

The legal form an entity in the social economy may take varies from one member state to the next. However, social economy enterprises are distinct from capital-based companies as they represent “a different approach to entrepreneurship”, based on the following common characteristics and values:

- The primacy of the individual and the social objective over capital
- Voluntary and open membership
- Democratic control by the membership
- The combination of the interests of members/users and/or the general interest
- The defence and application of the principle of solidarity and responsibility
- Autonomous management and independence from public authorities
- The essential surplus is used to carry out sustainable development objectives, services of interest to members or of general interest.

Social economy enterprises can neither be defined by their size nor by a sector of activity.

This definition might seem very broad and might not facilitate the creation of a cohesive notion easily identifiable by the external actors. In general, there is a total consensus on the fact that cooperatives and mutual societies are part of the social economy. Concerning associations, the social economy includes at least those with an economic activity. However, there is not a general consensus on the definition and often other terms are used.

Only referring to European definitions we can quote:

- The Committee of Regions stating that social economy organisations are: “more or less co-operatives, mutual societies and associations with an economic activity.”
- The Communication establishing the Equal programme setting as a priority of the entrepreneurship pillar “Strengthening the social economy (the third sector), in particular the services of interest to the community, with a focus on improving the quality of jobs”.<sup>3</sup>

At international level the ILO<sup>4</sup> has agreed on the following definition of the social economy: “the social economy is a concept designating enterprises and organizations, in particular cooperatives, mutual benefit societies, associations, foundations and social enterprises, which have the specific feature of producing goods, services and knowledge while pursuing both economic and social aims and fostering solidarity”.

The OECD and the LEED programme (Local Economic and Employment Development) “Confirming its belief that “reconciling the economy and society” and “building a plural economy” is one of the objectives that policy makers should pursue to reach a more balanced and sustainable economic development, recognising that social economy organisations are entities which can contribute to create a more inclusive economy, has expanded its analysis to new areas of research in order to assess the potential of the social

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<sup>3</sup> COMMUNICATION FROM THE COMMISSION TO THE MEMBER STATES establishing the guidelines for the Community Initiative EQUAL concerning transnational co-operation to promote new means of combating all forms of discrimination and inequalities in connection with the labour market - C (2000) 853, 14.04.2000

<sup>4</sup> Conference on “The Social Economy: Africa’s response to the Global Crisis” (Johannesburg, 19-21 October 2009)

economy sector and its contribution to the growth and the creation of value in our developed economies".<sup>5</sup>

The concept of "**third sector**" is often used as a synonym to the non-profit sector and, more recently, also to "social economy", particularly in European literature. The term reflects the idea that the sector assembles these otherwise disjointed socio-economic entities, and that it sits between the public and traditional private for-profit sectors, following unique social goals and internal organisational rules. The mode of financing of these organizations is mixed, as they can mobilize both private and public funding, as well as monetary and non-monetary resources. The idea of establishing a distinct "third sector" has given rise to many hefty debates, which have centred upon the danger of using the third sector as a residual sphere or "dumping ground" for those individuals excluded from the private and public sectors. To avoid the danger of social polarisation, the third sector could not merely be seen as an alternative route or juxtaposition to the public and classic private sectors, but as an interactive and reflexive component of economy and society. Others have argued that the boundaries of the third sector cannot be established with certainty. As a result of these controversial issues, the European Commission preferred the use of the term "Third System"<sup>6</sup> for its first formal projects in this area in the 90s, although this expression has gradually stopped being used.

With regards to definitions, two more expressions should be explained.

The best definition of the **non-profit sector** has been supplied by the Johns Hopkins University ([www.jhu.edu/~cnp/](http://www.jhu.edu/~cnp/)). According to it, the sector includes organisations which are voluntary, formal, private, self-governing and which do not distribute profits, such as hospitals, universities, social clubs, professional organisations, day-care centres, environmental groups, family counselling agencies, sports clubs, job training centres, human rights organisations and others. In fact, entities belonging to the non-profit sector can vary from country to country according to national history and tradition. The term non-profit, born in the USA, refers mainly to the absence of profit distribution. This is substantially different to the European approach of "social economy", which includes co-operatives. However, this difference is less significant when investigated through empirical research. C. Borzaga and J. Defourny<sup>7</sup> argue that the distribution of profits is in any case limited by internal and external regulations in co-operatives and mutual organisations in European countries.

The term **solidarity-based economy (économie solidaire)** is mainly used in France and Canada (Quebec), and is also widespread in Latin America. This approach "emphasises the development model, citizen participation in the production of goods and services and the economic mix of resources; it insists on the plurality of economic principles (market resources, public redistribution and voluntary commitment) to understand the political dimension of some new economic initiatives in the resistance to the extension of the market and in the new interactions between economy and democracy."<sup>8</sup> It has different meanings according to the geographical context in which it is used: in the South American context, it mainly refers to fair trade and the popular economy, in Quebec it is linked to cooperatives, non-profit enterprises as well as to community economic development (mouvement économique communautaire) and in Europe to solidarity initiatives, mainly, but not

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<sup>5</sup> "The Social Economy – Building Inclusive Economy" (Ed. A. Noya and E. Clarence ; OECD (2007); Foreword, p3)

<sup>6</sup> The term "Third System" was first utilised by the European Commission in 1997 and refers to the economic and social fields represented by cooperatives, mutual companies, associations and foundations, as well as all local job creation initiatives intended to respond, through the provision of goods and services, to needs for which neither the market nor the public sector appear able to make adequate provision. On the initiative of the European Parliament, in 1997 the European Commission introduced a pilot action entitled "Third System and Employment".

<sup>7</sup> The Emergence of Social Enterprise, 2001, Routledge, London

<sup>8</sup> DEFOURNY J. and PESTOFF, V. (eds.) (2008), "[Images and concepts of the third sector in Europe](#)", EMES Working Papers series, num. 08/02, EMES: Liege. [www.emes.net](http://www.emes.net).

exclusively, in the proximity services. Sometimes the term is used in association with the term social economy (as in Quebec) and sometimes in opposition to it, notably where the social economy is seen as composed of established organisations, while the solidarity economy mainly refers to non-established citizens' initiatives aimed at experimenting with new paths of economic development. In the European context, examples such as the fair trade movement are developing inside the sector, together with innovative forms of financial/non monetary-exchanges based on reciprocity.

**Social enterprises** represent a growing dimension within the social economy. Apart from academic definitions, and those elaborated by international organisations, which are built around general criteria, definitions tend to be very country-specific. Increasingly countries are developing legal definitions of social enterprises and numerous schemes for their support is being implemented.

At European level, the **EMES** European Research Network ([www.emes.net](http://www.emes.net)) has proposed a **set of common economic and social criteria** to identify organisations likely to be called "social enterprises".

#### **Economic criteria:**

##### a) A continuous activity producing goods and/or selling services

Social enterprises, unlike some traditional non-profit organisations, are directly involved in the production of goods or the provision of services to people on a continuous basis. The productive activity thus represents the reason, or one of the main reasons, for the existence of social enterprises.

##### b) A high degree of autonomy

Social enterprises are created by a group of people on the basis of an autonomous project and they are governed by these people. They may depend on public subsidies but they are not managed, directly or indirectly, by public authorities or other organisations.

##### c) A significant level of economic risk

Those who establish a social enterprise assume totally or partly the risk of the initiative. Unlike most public institutions, their financial viability depends on the efforts of their members and workers to secure adequate resources.

##### d) A minimum amount of paid work

As in the case of most traditional non-profit organisations, social enterprises may also combine monetary and non-monetary resources, voluntary and paid workers. However, the activity carried out in social enterprises requires a minimum level of paid workers.

#### **Social criteria:**

##### e) An explicit aim to benefit the community

One of the principal aims of social enterprises is to serve the community or a specific group of people. In the same perspective, a feature of social enterprises is their desire to promote a sense of social responsibility at local level.

##### f) An initiative launched by a group of citizens

Social enterprises are the result of collective dynamics involving people belonging to a community or to a group that shares a well-defined need or aim.

##### g) A decision-making power not based on capital ownership

This generally means the principle of "one member, one vote" or at least a decision-making process in which voting power is not distributed according to capital shares on the governing body which has the ultimate decision-making rights.

##### h) A participatory nature, which involves the various parties affected by the activity



Representation and participation of users or customers, stakeholder influence on decision-making and a participative management are often important characteristics of social enterprises.

i) A limited profit distribution

Social enterprises not only include organisations that are characterised by a total non-distribution constraint, but also organisations which - like co-operatives in some countries - may distribute profits, but only to a limited extent, thus avoiding a profit-maximising behaviour.

This working definition was the result of trans-national comparative research projects spanning over several years across EU countries. Moreover, it has been successfully implemented and revised in CEE and CIS countries in the framework of a recent research project and publication.<sup>9</sup>

## **2. THE SOCIAL ECONOMY AND THE EUROPEAN INSTITUTIONS**

### **2.1. THE ROLE OF THE EUROPEAN COMMISSION: DG ENTERPRISE AND DG EMPLOYMENT**

Over the last 30 years, slowly but indisputably, the social economy has entered a stage of institutionalisation and public recognition within the EU. However, in recent years this has been in some way undermined, and currently social economy actors have to fight hard to get due recognition and to get support to challenge the specific obstacles limiting expansion.

In 1989 the Commission published its first Communication to the Council on social economy enterprises, which recognises the specificity of social economy enterprises and their role in the internal market<sup>10</sup> (this is the reason why social economy is part of enterprise policy). In the same year, a Social economy unit was created within DGXXIII (Directorate General for Small and Medium Enterprises). Starting from 1989, European conferences of social economy are periodically organised under the aegis of the European Commission. They represent an important occasion for meeting and raising awareness on the role of the social economy.<sup>11</sup>

The work of the Social Economy Unit adapted to the changing priorities of the Community. The earliest aim, that of helping the social economy to meet the challenges of the internal market, expanded to incorporate an approach, which reflects the Community's concerns with competitiveness, job creation and the demands of the next enlargement of the Union. This wider range of objectives also reflects the new priorities the Social Economy itself has identified. These objectives were translated into a multi-annual Programme (1994-96) in favour of CMAFs adopted by the Commission in 1994. Although a majority of Member States were in favour, the Programme was not adopted by the Council, and it was withdrawn by the Commission in 1997, after the period envisaged for the operation of the programme had elapsed.

In 1995 the four "families" of the social economy (co-operatives, mutual societies, associations and foundations,) created a temporary Consultative Committee which was

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<sup>9</sup> The title of the project was "Study on Promoting the Role of Social Enterprises in CEE and the CIS" (2005-2006) and the resulting publication, published in 2008, is titled "*Social Enterprise: A new model for poverty reduction and employment generation*" (UNDP-BRC and EMES).

<sup>10</sup> European Commission (1989), Communication on "Businesses in the Social Economy sector" Doc. SEC(89) 2187 fin.

<sup>11</sup> Paris 1989, Rome 1990, Lisbon 1992, Bruxelles 1993, Seville 1995, Birmingham 1998, Tours 2000, Gavle 2001, Gand 2001, Salamanca 2002, Prague 2002, Krakow 2004.

recognised by the Commission in 1998 and abolished the following year. The Committee, chaired by the European Commission, could take initiatives and give opinions in order to help the Commission in the implementation of its social economy policy.

In 2000, following the reform of the Commission, DGXXIII became part of the bigger DG Enterprise and Industry and the Social economy unit was taken over by the Unit E3 (Crafts, Small Enterprises, Cooperatives and Mutual Societies). The new Unit is concentrating particularly on the "enterprise aspects" of co-operatives, mutuals, associations and foundations. The European Commission recognises that: *"A significant proportion of Europe's economy is organised to make profits not only for investors. The so-called Social Economy, including cooperatives, mutual societies, non-profit associations, foundations and social enterprises, provides a wide range of products and services across Europe and generates millions of jobs."*<sup>12</sup>

The area of the promotion of SMEs and social economy enterprises' competitiveness does not contain any genuine European specific policy with its own legal instruments. Therefore, the role of the Commission is limited to horizontal action aimed at encouraging the creation of an environment favourable to SMEs and social economy enterprises throughout all the other existing Community policies. In this framework, the Unit promotes the knowledge and visibility of social economy enterprises and their activities and develops links with public officials responsible for the regulation and development of the social economy in the Member States. It acts in consultation with the representative organisations of co-operatives, mutual societies, associations and foundations.

The main interlocutor representing the social economy at EU level is SOCIAL ECONOMY EUROPE (former CEP-CMAF - Permanent European Conference of Co-operatives, Mutual Societies, Associations and Foundations).

Social economy actors, including social enterprises, have also a strong role to play in the setting up of employment and social inclusion policies. In this field, DG Employment and Social Affairs is directly concerned.

In 1997, the EU Luxembourg Employment Summit voted the new employment guidelines recognising the importance of social economy for local development<sup>13</sup>. In 2001 the guideline 11 recognised the need to promote the development of the social economy<sup>14</sup>.

Between 1997 and 2000 a pilot action "Third system and employment" funded several project aiming at enhancing the role of third sector in the creation of employment. This budget line funded also several transnational studies which allowed to promote an exchange of experiences and a common knowledge at European level. Unfortunately, it was not refinanced and the Unit in charge of it was dismantled.

More recently, the programme which included a specific measure to finance social economy was EQUAL. It was a Community initiative funded by the ESF in order to promote new means of combating all forms of discrimination and inequalities in connection with the labour market, through transnational co-operation. Theme 2D, under the entrepreneurship pillar aimed at strengthening the social economy (the third sector), in particular the services of interest to the community, with a focus on improving the quality of jobs.

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<sup>12</sup> ([http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/index_en.htm))

<sup>13</sup> .....investigate measures to exploit fully the possibilities offered by job creation at local level in the social economy and in new activities linked to needs not yet satisfied by the market, and examine, with the aim of reducing, any obstacles in the way of such measures. The 1998 Employment Guidelines, Council Resolution of 15 December 1997

<sup>14</sup> Member States will: ..... promote measures to enhance the competitive development and job creation capacity of the social economy, especially the provision of goods and services linked to needs not yet satisfied by the market, and examine, with the aim of reducing, any obstacles to such measures; Council decision of 19 January 2001 on Guidelines for Member States' employment policies for the year 2001 (2001/63/EC)

EQUAL differed from the European Social Fund mainstream programmes in its function as a laboratory (principle of innovation) and in its emphasis on active co-operation between Member States. Two calls for proposals for EQUAL projects in the Member States have taken place, the first one in 2001, the second one in 2004<sup>15</sup>. Responsibility for the implementation of the Community Initiative programmes in the Member States lied with the national authorities.

Over 6 years, a total budget of 600 M euro (average budget per DP 1.3 M euro) funded 424 Development Partnerships (DPs) under the social economy theme.

Other social economy projects were funded under different themes (equal opportunities, job creation, etc.).

In order to draw concrete and transferable lessons, to exchange policies and practices among EQUAL projects, the Commission structured several European Thematic Groups (ETG). Several events have been organised by the Social Economy thematic group (which was part of the Entrepreneurship group). Background documents and case studies are available on the web ([http://ec.europa.eu/employment\\_social/equal/activities/etg2\\_en.cfm](http://ec.europa.eu/employment_social/equal/activities/etg2_en.cfm)).

The reform of structural funds has abolished most of community initiatives. Nevertheless, the EQUAL principles became an integral part of the new ESF programmes that will run from 2007 to 2013.

In the field of employment and social inclusion a new programme has recently replaced the existing ones. PROGRESS (2007-2013)<sup>16</sup>, the Community Programme for Employment and Social Solidarity, supports financially the implementation of the objectives of the European Union in the fields of employment and social affairs, as set out in the Commission Communication on the Social Agenda, and there by contribute to the achievement of the Lisbon Strategy goals in those fields. It includes five major themes: social protection and inclusion, gender equality, non discrimination and diversity, employment and working conditions. Social economy is a transversal issue in many of these themes. However, PROGRESS is in no way a replacement for EQUAL, and it is clear, it will not fund pilot actions or projects but only research, awareness-raising and benchmarking activities at EU level.

## **2.2. THE EUROPEAN PARLIAMENT: THE SOCIAL ECONOMY INTERGROUP**

In the European Parliament, MPs not only participate in political groups (socialists, liberals, democrats, etc.), committees (foreign affairs, environment, agriculture, etc.) and delegations (with Canada, China, Magreb, etc.) but also in Intergroups on specific themes.

The Intergroup is a sort of “antenna” of the Parliament on specific themes. It is a meeting point to exchange opinions and a tool to raise awareness on the topics it deals with.

The Social Economy Intergroup was constituted in October 1989 during the preparation of the first Social Economy Conference held in Paris in November 1989. It was successively chaired by French MEP Marie-Claude VAYSSADE, Italian MEP Fiorella GHILARDOTTI, French MEP Marie-Hélène GILLIG, and Belgian MEP Philippe BUSQUIN.

In 1996 the Intergroup was reorganised in the following way:

- Regular meetings with the representatives of the sector (maximum 6 per year);

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<sup>15</sup> Communication from the Commission establishing the guidelines for the second round of the Community Initiative EQUAL concerning transnational co-operation to promote new means of combating all forms of discrimination and inequalities in connection with the labour market - Free movement of good ideas (COM/2003/840)

<sup>16</sup> DECISION No 1672/2006/EC of the European Parliament and of the Council of 24 October 2006 establishing a Community Programme for Employment and Social Solidarity — Progress

- An enlarged forum of all the MPs belonging to the Intergroup two times per year;
- The secretariat of the Intergroup rotates among the European organizations representing social economy.

In the legislature 1999-2004 the creation of the Intergroup was made difficult by new restrictive rules. In fact, in order to create an Intergroup it is necessary to have not only a minimum number of MPs but also the support of three political groups. Since political groups can support only a limited number of Intergroups a long negotiation was necessary to have sufficient support for the social economy.

Last Intergroup was co-chaired by Ms Ferreira (European Socialist Party) and M. Mauro (European Popular Party). It worked as an observatory and a vigilant body, watching closely European policies linked with Social Economy (social cohesion, social protection, health, insurances, SSGI, competition, CSR, employment policies...) and working towards building of a solidarity-based Europe.

In October 2007 the Intergroup has released the Social Economy Memorandum.

The memorandum underlines the role and the importance of social economy in Europe and makes the following recommendations to the future European presidencies:

- to approve the European statutes of associations, mutual societies and foundations ;
- to introduce the social services of general interest in the European debate and to recognise the specificity of general interest of those services in the new treaty ;
- to recognise the contribution of the social economy to the European social model (namely in CSR and sustainable development) ;
- to recognise social economy representative organisations as partners of the social dialogue.

In 2005, members of the Intergroup triggered the demand for the establishment of an own initiative report on Social economy in the European Parliament. The request was accepted in 2008. Mrs Toia was appointed rapporteur for the Employment and Social Affairs Committee. Mrs Toia took part to several intergroup meeting to share with the participants the development of the report, up to its adoption. The report was adopted with nearly 80% votes in favour in the plenary, on 19th February 2009. It recognises that: *“whereas the social economy has developed from particular organisational and/or legal business formations such as cooperatives, mutual societies, associations, social enterprises and organisations, foundations and other entities in each of the Member States; whereas the social economy covers a range of terms used in the various Member States such as ‘the solidarity economy’ and ‘the third sector’, and although these are not described as forming part of the social economy in all the Member States, comparable activities sharing the same features exist throughout Europe”*.

The Intergroup, with the support of SOCIAL ECONOMY EUROPE, actively participated in the organisation of an event that took place in the European Parliament: “Four days for social economy” in May 2008.

The Intergroup is now in the process of being re-established by the European Parliament elected in 2009. The Intergroup has been successfully re-established in January 2010. It held its first meeting open to MPs only in Strasbourg on 11<sup>th</sup> February and its second meeting open to stake-holders also on February 24<sup>th</sup>. It is co-chaired by Mr. Marc Tarabella (BE) and Mr. Mario Mauro (IT).

### 2.3. THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE: THE SOCIAL ECONOMY CATEGORY

The European Economic and Social Committee (EESC) was one of the first European institutions to recognise the role of Social Economy, with the publication in 1978 of a study on the economic and social importance of activities promoted by cooperatives, mutual societies and associations in Europe.

In 1986 the EESC promoted the first conference on "The economy of cooperatives, mutual societies and associations" organised in collaboration with the Consultative Committee of Cooperative Associations (CCACC).

In the following years the EESC has redacted several opinions concerning the social economy or its components:

- EESC Opinion on the Memorandum of the Commission "Internal market and industrial cooperation" - Statute of the European society – Whiter Paper on internal market, Pt. 137" - CES 1233/88.
- EESC Opinion on "The European fundamental social rights" - CES 270/89.
- *EESC Opinion on "Contribution of the cooperative sector to regional development - Bento GONCALVES - CES 1032/89 P-F- ORT/TPR/cf.*
- EESC Opinion on the Communication of the Commission to the Council - "Social economy enterprises and the implementation of the internal market without borders" - CES 1046/90 – GUCE n°C 332/81 of 31.12.1990.
- EESC Opinion on «Economic relations EC/Countries of Eastern Europe» - CES 381/90.
- EESC Opinion on the document COM(93)650 final "Multi-annual work programme (1994-1998) for cooperatives, mutual societies, associations and foundations in the Community" GUCE n° C388/22 of 31.12.1994.
- EESC Opinion on the document COM(97)241 final "The promotion of the role of associations and foundations in Europe" GUCE n° C 95/99 of 30.3.1998.
- EESC Opinion on 'Social economy and the internal market" CES 242/2000 of 3.3.2000
- EESC Opinion on 'Economic diversification in the accession countries – role of SMEs and social economy enterprises, CCMI/006 of 01.04.2004
- EESC Opinion on 'Ability of SMEs and social economy enterprises to adapt to changes imposed by economic growth', INT/242 of 27.10.2004
- EESC Opinion on the Communication from the Commission to the Council and the European Parliament, the European Economic and Social Committee and the Committee of the Regions on the promotion of cooperative societies in Europe COM (2004) 18 Final – INT 238 of 09.03.2005
- EESC Opinion on 'The road to the European knowledge-based society – the contribution of organised civil society to the Lisbon Strategy', SC/024 of 14.14.2005
- EESC Opinion on 'Entrepreneurship mindsets and the Lisbon Agenda', SOC/267 of 22.10.2007
- EESC Opinion on 'Diverse forms of enterprise', INT/447 of 1.10.2009.

In the 1990s a "Social Economy" category was created within Group 3 of the Committee. Established on a voluntary basis according to art. 28 of the Internal Regulation, it has the

function of coordinating members in order to facilitate their attention on and their action in favour of social economy.

The Social Economy category brings together 39 members (38 of whom belong to Group III and 1 to Group I) from cooperatives, mutuals, associations, foundations and social NGOs. Although the legal nature of social economy organisations differs from one Member State to the next, they are inspired by common values such as solidarity, social cohesion, social responsibility, freedom of membership, democratic management, participation and autonomy<sup>17</sup>.

Here is the list of its members:

Nationality	Name	Status
LV	Anca Guntā	Member
HU	Barabás Miklós	Member
FR	Bloch-Lainé Jean-Michel	Member
FR	Bouis Lucien	Member
ES	Cabra de Luna Miguel Ángel	Spokesman
IT	Campiti Mario	Member
SK	Chren Martin	Member
PT	Costa Macedo Teresa	Member
PL	Czajkowski Tomasz	Member
DE	Eulenburg Soscha	Member
IT	Grasso Angelo	Member
CZ	Haken Roman	Member
EE	Hellam Mall	Member
HU	Herczog Mária	Member
BE	Hoffelt Jean François	Member
IT	Jahier Luca	Member
UK	Jones Tom	Member
EE	Joost Meelis	Member
DK	Kindberg Mette	Member
SE	Kössler Ingrid	Member
RO	Lucan Eugen	Member
DK	Lüneborg Poul	Member
PL	Mendza-Drozd Marzena	Member
UK	Morrice Jane	Member
CZ	Nemec Jaroslav	Member
SL	Nose Martin	Member
SE	Olsson Jan	Member
UK	O'Neill Maureen	Member
FR	Panzani Jean-Paul	Member
PL	Pater Krzysztof	Member
RO	Pîrvulescu Cristian	Member
RO	Sibian Ionut	Member
BG	Sokolova Donka	Member
SL	Sporar Primož	Member
DE	Stöhr Frank	Member
HU	Tóth János	Member
CZ	Trantina Pavel	Member
ES	Trías Pinto Carlos	Member
CZ	Zvolská Marie	Member (GR I)

<sup>17</sup> ([http://www.eesc.europa.eu/groups/3/index\\_en.asp?id=1405GR03EN](http://www.eesc.europa.eu/groups/3/index_en.asp?id=1405GR03EN))



### 3. EUROPEAN STAKEHOLDERS

The European organisations described in this section can be distinguished according to several characteristics. Some of them are the main representative organisations of the social economy, often defined sectoral networks. They are organised in three levels: the first one puts together the national federations of each sector (CECOP – workers' cooperatives, Cecodhas – housing, etc.); the second level is the “family” level (Cooperatives Europe for the cooperatives, CEDAG for the associations, AIM and AMICE for the mutual societies and EFC for the foundations); the third level represents the common interests of all the actors (Social Economy Europe). These organisations play essentially a role of political representativeness and lobby of their members towards the European institutions.

They differ from other European thematic networks dealing with social economy, whose common feature is the “thematic” approach: each organisation gathers different kinds of members on a specific theme (social inclusion, local development, etc.). Some organisations are principally dealing with social economy (REVES, ENSIE, etc.), while others have a broader scope and social economy is only part of their action (EAPN, Social Platform, etc.).

They are all potential stakeholders of the Social Economy Learning for change network.

#### 3.1. THE REPRESENTATIVE ORGANISATIONS

Social Economy Europe (former CEP-CMAF)	
<b>Address</b> Rue Saint Jean 32-38 B-1000 Brussels, Belgium	<b>Tel and fax</b> Tel.: +32 (0)2 515 06 61 Fax: +32 (0)2 515 05 06
<b>Web site</b> <a href="http://www.socialeconomy.eu.org">www.socialeconomy.eu.org</a>	<b>E Mail</b> <a href="mailto:contact@socialeconomy.eu.org">contact@socialeconomy.eu.org</a>
<b>Members</b>	
<b>International and European organisations</b>	
<b>AIM</b> - International Association of Mutual Health Funds	
<b>AMICE</b> - Association of Mutual Insurers and Insurance Cooperatives in Europe	
<b>CEDAG</b> - European Council of Associations of General Interest	
<b>COOPERATIVES EUROPE</b> - European Region of the International Co-operative Alliance	
<b>EFC</b> - European Foundation Centre	
<b>National organisations</b>	
<b>CEGES</b> - Conseil des Entreprises, Employeurs et Groupements d'Economie Sociale	
<b>CEPES</b> - Spanish Business Confederation of Social Economy	
<b>Network organisations</b>	
<b>ENSIE</b> – European Network for Social Intergration Enterprises	
<b>FEDES</b> - (European Federation of Social Employers)	
<b>REVES</b> - (European Networks for Cities and Regions for Social Economy)	
<b>Objectives</b>	
<ul style="list-style-type: none"><li>- promote the social and economic input of the social economy enterprises and organisations,</li><li>- promote the role and values of social economy actors in Europe,</li><li>- to reinforce the political and legal recognition of the social economy and of cooperatives, mutual societies, associations and foundations (CMAF) at EU level.</li></ul>	
<b>Activities</b>	
SOCIAL ECONOMY EUROPE participates to the European Union political debate by releasing position papers and by answering the European Commission's public consultations. SOCIAL ECONOMY EUROPE is the main interlocutors for social economy with the EU institutions, and in	

particular with the European Parliament “social economy intergroup” and with the “social economy category” of the European Social and Economic Committee.

### Relevance for LfC network

Main representative organisation of the sector. Lobby and strict connection with EU institutions. SEE is interested in many of the topics dealt by the LfC network, SEE has a working group on SIG and it is going to prepare a common position on the topic. It is involved in the organisation of a conference on SSGI, organised by the Belgian government in October 2010 under the Belgian Presidency of EU. The topic of social added value and quality standards is interesting and is going to be developed in the second half of 2010, namely in connection with the concept of social innovation. The issue of finance is conceived more in terms of financial tools of the social economy and is also a field of work to develop.

## Cooperatives Europe

### Address

Ave Milcamps,105  
BE-1030 Brussels, Belgium

### Tel and fax

Tel.: +32 (0)2 743 10 33  
Fax: +32 (0)2 743 10 39

### Web site

[www.coopseurope.coop](http://www.coopseurope.coop)

### E Mail

[office@coopseurope.coop](mailto:office@coopseurope.coop)

### Members

**Austria:** Oesterreichischer Verband gemeinnütziger Bauvereinigungen – Revisionsverband;  
**Republic of Belarus:** Belarussian Republican Union of Consumer Societies (BELKOOPSOYUZ);  
**Belgium:** Arcopar; SCRL; Fédération Belge de l'Economie Sociale et Coopérative (FEBECOOP); OPHACO (Office des Pharmacies Coopératives de Belgique); P&V Assurances;  
**Bulgaria:** Central Co-operative Union; National Union of Workers Producers Co-operatives of Bulgaria (NUWPCB);  
**Croatia:** Croatian Association of Co-operatives (Hrvatski Savez Zadruga);  
**Cyprus:** Co-operative Central Bank Ltd. (CCB); Cyprus Turkish Co-operative Central Bank Ltd; Pancyprian Co-operative Confederation Ltd;  
**Czech Republic:** Co-operative Association of the Czech Republic;  
**Denmark:** Danish Agricultural Council (Landbrugsraadet); FDB (Consumer Co-operative Denmark); Kooperationen;  
**Finland:** Pellervo, Confederation of Finnish Co-operatives; SOK Association SOKL (Finnish Co-operative Union);  
**France:** Confédération Générale des SCOP; Confédération Nationale de la Mutualité, de la Coopération et du Crédit Agricoles (CNMCCA); Confédération Nationale du Crédit Mutuel; Fédération Nationale des Coopératives de Consommateurs (FNCC); Crédit Coopératif; Groupement National de la Coopération (GNC);  
**Germany:** Deutscher Genossenschafts- und Raiffeisenverband e.V. (DGRV); GdW Bundesverband deutscher Wohnungs- und Immobilienunternehmen e.V.; Konsumverband eG; Zentralverband deutscher Konsumgenossenschaften e.V. (ZdK);  
**Hungary:** Hungarian Industrial Association (OKISZ); National Federation of Agricultural Co-operators and Producers (MOSZ); National Federation of Consumer Co-operatives & Trade Associations (AFEOSZ- CO-OP Hungary);  
**Italy:** Associazione Generale Cooperative Italiane (A.G.C.I. Nazionale); Confederazione Cooperative Italiane (Confcooperative); Lega Nazionale delle Cooperative e Mutue (Legacoop);  
**Latvia:** Latvian Central Co-operative Union (TURIBA);  
**Lithuania:** Lithuanian Union of Consumer Co-operative Societies (LITCOOPUNION);  
**Malta:** Apex – Organisation of Maltese Co-operatives;  
**Moldova:** Central Union of Consumer Co-operatives of the Republic of Moldova (MOLDCOOP);  
**Netherlands:** Oikocredit – Ecumenical Development Co-operative Society U.A.;  
**Norway:** Coop NKL BA; Federation of Norwegian Agricultural Co-operatives (Norsk Landbrukssamvirke); The Norwegian Federation of Co-operative Housing Associations (NBBL);  
**Poland:** Auditing Union of Housing Co-operatives (Związek Rewizyjny Spółdzielni Mieszkaniowych RP); National Association of Co-operative Saving and Credit Unions - NACSCU (Krajowa Spółdzielcza Kasa Oszczędnościowo-Kredytowa - KSKOK); National Auditing Union of Workers' Co-operatives (NAUWC) (Związek Lustracyjny Spółdzielni Pracy); National Co-operative Council - NCC (Krajowa



Rada Spółdzielcza - KRS); National Supervision Union of Spolem Consumer Co-operatives (Krajowy Związek Rewizyjny Spółdzielni Spożywców Spolem); National Union of Co-operative Banks (KZBS);

**Portugal:** Confederação Cooperativa Portuguesa (CONFECOOP); Confederação Nacional de Cooperativas Agrícolas e do Crédito Agrícola de Portugal; CCRL (CONFAGRI); INSCOOP - Instituto António Sérgio do Sector Cooperativo;

**Romania:** National Union of Consumer Co-operatives (CENTROCOOP) Uniunea Nationala a Cooperatiei de Consum; National Union of Handicraft and Production Co-operatives of Romania (UCECOM);

**Russian Federation:** Central Union of Consumer Societies of the Russian Federation (Centrosojuz of the Russian Federation); Koopvneshtorg Ltd. (Coop-Trade); Moscow Regional Union of Consumer Societies;

**Serbia and Montenegro:** Co-operative Union of Serbia from Belgrade Serbia (CUS); Co-operative Union of Yugoslavia;

**Slovak Republic:** Co-operative Union of the Slovak Republic (Družstevná Únia Slovenskej Republiky);

**Slovenia:** Co-operative Union of Slovenia Ltd. (Zadružna Zveza Slovenije);

**Spain:** Confederació de Cooperatives de Catalunya; Confederación de Cooperativas de Euskadi (Euskadiko Kooperatiben Konfederazioa); Confederación Empresarial Española de la Economía Social (CEPES); Confederación Española de Cooperativas de Trabajo Asociado (COCETA); Fundación Espriu; Spanish Agricultural Cooperative Confederation (Confederación de Cooperativas Agrarias de España) (CCAE); Unión Nacional de Cooperativas de Consumidores y Usuarios de España (UNCCUE);

**Sweden:** HSB: Riksförbundet (Union of Housing Co-operatives); Kooperativa Förbundet (KF) (The Swedish Co-operative Union); Riksbyggen (Co-operative Housing Union);

**Switzerland:** Fédération des Coopératives Migros;

**Turkey:** Central Union of Turkish Agricultural Credit Co-operatives (TURKKENT); National Co-operative Union of Turkey (NCUT); Turkish Co-operative Association; Union of Sugar Beet Growers' Production Co-operative (Pankobirlik);

**Ukraine:** Central Union of Consumer Societies of Ukraine (UKOOPSPILKA);

**United Kingdom:** Co-operative Group (CWS) Ltd; Co-operative Insurance Society Ltd. (CIS); Co-operatives UK; The Co-operative Bank plc;

**European Sector Organisations:** Co-operatives Europe – Housing; CECOP; COGECA; EACB; EURO COOP; UEPS.

### Objectives and activities

- unite, represent, promote and defend co-operatives in Europe;
- support & grow the co-operative model of enterprise and co-operative organizations across Europe;
- provide consultation, research, development, members' services and share experience and best practice.

### Relevance for LfC network

Important interlocutor for lobbying actions. Represents cooperatives transversally. For all the issues concerning the social economy in general CoopsEurope coordinates its action with Social economy Europe, while on issues concerning social cooperatives it works closely with CECOP. It works regularly on the issue of State aids and services of general interest in order to defend the position of cooperatives. Its priorities and actions for the future will be decided in the forthcoming general assembly (April 2010) where a new president and a new director will be appointed.

<p style="text-align: center;"><b>CECOP</b>  <b>European Confederation of Workers' Co-operatives, Social Co-operatives, Social and Participative Enterprises</b></p>
--

#### Address

c/o European Cooperative House  
Avenue Milcamps, 105  
1030 Brussels, Belgium

#### Tel and fax

Tel: +32 (0)2 543 10 33  
Fax: +32 (0)2 543 10 37

**Web site**  
[www.cecop.coop](http://www.cecop.coop)

**E Mail**  
[cecop@cecop.coop](mailto:cecop@cecop.coop)

## **Members**

Full members: AGCI Produzione e Servizi di Lavoro; AGCI Solidarietà; ANCPL - Associazione Nazionale delle Cooperative di Produzione e Lavoro; ANCST - National Association of Transport and Tourism Co-operatives; Confcooperative Confederazione Cooperative Italiane; Legacoopsociali (Italy).

APEX Organisation of Maltese Cooperatives (Malta).

CGSCOP - Confederation Generale des Societes Cooperatives Ouvrieres de Production (France).

COCETA - Confederacion espanola de cooperativas de trabajo asociado; CONFESAL – Confederacion Empresarial de Sociedades Anonimas Laborales (Spain).

Coop Finland (Finland).

Fenacerci (Portugal).

Co-operatives UK (United Kingdom).

CPS – Coop Products Slovakia (Slovakia).

ESTCOOP (Estonia).

**Coompanion** c/o Kooperativ Konsult (Sweden).

Kooperationen det kooperative fællesforbun (Denmark).

NAUWC - National Auditing Union of Workers Cooperatives (Poland).

NUWPC - National Union of Workers Productive Co-operatives (Bulgaria).

SCMVD – Ceck Union of Production Cooperatives (Ceck Republic).

UCECOM Central Union if Handicraft Cooperatives of Romania (Romania).

VDP Mitunternehmen- und Genossenschaftsverband E.V.; NETZ – Netz fur Selbstverwaltung und Selbstorganisation (Germany).

Associated members: CFI - Cooperazione, Finanza, Impresa; Federlavoro e Servizi; Federsolidarietà (Italy)

ESFIN-IDES - Institut de Développement de l'Economie Sociale; Federation Nationale des SCOP du BTP (construction and public works); ICOSI - Institut de Cooperation Sociale Internationale (France).

SOFICATRA s.a. (Belgium).

## **Objectives**

- To promote producers' and workers' cooperatives, social cooperatives, and other types of worker-controlled enterprises throughout Europe
- To promote worker ownership and the status of worker-member as a third labour modality, alongside employed labour and self-employment
- To strengthen and develop member organisations' activities
- To support, encourage and facilitate the exchange of projects and good practises between members
- To disseminate European information
- To promote cooperation with other cooperative and social economy sectors.

## **Activities**

- lobbying
- social dialogue - negotiation with trade unions
- data collection and analysis, information and network animation
- institution-building
- development project work
- institutional relations.

## **Relevance for LfC network**

Important interlocutor for lobbying actions (namely state aids, SGI, public procurement). Studies and project on social enterprise, work integration, state aid. Strict connections with national members.

CECOP has recently published a book on social enterprises (Cooperatives and social enterprises: Governance and normative frameworks) and is about to publish a book entitled "At the earth of Europe: cooperatives, territories and jobs" containing examples of cooperatives in different sectors and, among them two good practices of social franchising. In 2008 CECOP has redacted a Thematic Dossier on Services of General Interest.

Having received financial support by the Commission for 2008 to 2010 to be a part of the European Combating poverty and social exclusion Network, CECOP is developing various activities in this sector, mainly aimed at the promotion of social cooperatives as a mean for social inclusion. It has also a Finance group which is coordinated by Soficatra (see hereafter) and that deals with financial tools to finance the cooperative sector. Person to contact: Bruno Roelants (Secretary General).

<b>CEDAG</b> <b>European Platform for National Non-Profit Umbrella Organisations and for National Associations of General Interest</b>
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**Address**

Square Ambiorix 32, boîte 47  
1000 Brussels, Belgium

**Tel and fax**

Tel: +32 (0)2 230 00 31  
Fax: +32 (0)2 230 00 41

**Web Site**

[www.cedag-eu.org/](http://www.cedag-eu.org/)

**E Mail**

e-mail: [cedag@cedag-eu.org](mailto:cedag@cedag-eu.org)

**Members**

32 Non-Profit Umbrellas from 21 European Countries.

**Objectives and activities**

- Promote the recognition of the non-profit sector at the European level, in particular the economic contribution, the disinterested and democratic management approach, the general interest character and services orientated towards people of non-profit organizations;
- Lobby for the right of the sector to be consulted on EU policies of interest;
- Inform its members about any issues of interest at EU level and the current EU policy developments.
- Provide a forum for non-profit organizations across the EU to exchange examples of best practice.

**Relevance for LfC network**

Important interlocutor for lobbying actions (namely state aids, SSGI, public procurement). Strict connections with national associations (relevant in countries where social enterprises take the legal form of association).

CEDAG is a small organisation in terms of staff. It has only two staff members who are mainly in charge of information and project activity. Many actions are carried out through its members. They operate within two working groups: Civil Dialogue and Social Policy. The WG Social Policy has among its fields of interventions, services of general interest, social economy, state aid and public procurement. CEDAG follows closely the evolution of these themes at European level and has presented several position papers to the European Commission.

CEDAG is also a member of the board of Social Economy Europe.

CEDAG is very interested in the work of the LfC Network and its President, Patrick De Bucquois, is the baseline study expert on SSGI and state aid strand.

<b>EFC</b> <b>European Foundation Centre</b>
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**Address**

78, avenue de la Toison d'Or  
1060 Brussels, Belgium

**Tel and fax**

Tel: +32 (0)2 512.8938  
Fax: +32 (0)2 512.3265

**Web site**

[www.efc.be](http://www.efc.be)

**E Mail**

[efc@efc.be](mailto:efc@efc.be)

**Members**

236 foundations from 40 countries (mainly Europe, but also USA)

## Objectives

To strengthen the independent funding element of European philanthropy through robust cooperation with an array of partners.

## Activities

The EFC realises its vision and mission through four priority areas:

- Creating an enabling legal and fiscal environment for foundations
- Documenting and communicating European philanthropy
- Benchmarking and capacity-building
- Network-building

## Relevance for LfC network

Important interlocutor for lobbying actions. Relevant for the finance strand.

### 3.2. SPECIALISED EUROPEAN SOCIAL ECONOMY NETWORKS

This paragraph examines the main European networks dealing with social economy from a “thematic” point of view: each organisation gathers different kinds of members on a specific theme (social inclusion, local development, etc.). The group is not very homogeneous, since the organisations described are quite different in terms of membership, source of funding and scope.

<b>ENSIE</b> <b>European Network for Social Integration Enterprises</b>
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#### Address

Avenue Milcamps, 105  
B-1030 Brussels

#### Tel and fax

Tel: +32 (0)4 240 58 47  
Fax: +32 (0)4 240 58 79

#### Web site

[www.ensie.org](http://www.ensie.org)

#### E Mail

[info@ensie.org](mailto:info@ensie.org)

## Members

FEICAT – Federació de Emprendidas de inserció de Catalunya; FAEDEI - Federación Española de Empresas de Inserción (**Spain**); BAG Arbeit - Bundesarbeitsgemeinschaft Arbeit e.V. (**Germany**); BDV - Bundesdachverband für Soziale Unternehmen (**Austria**); CNEI - Comité National des Entreprises d'insertion, COORACE, Coordination des Associations d'Aides aux Chômeurs pour l'Emploi (**France**); CECOP – European Confederation of Workers Cooperatives, Social Cooperatives and Participative Enterprises; RES - Réseau d'Enterprises Sociales; SST - Samenwerkingsverband Sociale Tewerkstelling (**Belgium**); Consorzio Sociale Abele Lavoro (**Italy**); DEP, Dublin Employment Pact (**Ireland**); Objectif Plein Emploi (**Luxembourg**); Social firms UK (**UK**).

## Objectives

ENSIE takes for its objectives:

- To reinforce the power of the actors in economic social integration enterprises through the interchange between the member organisations,
- To stimulate co-operation and partnerships by promoting proper practices, research results, new applications,
- To organise the exchange of information on the legislative national and local policy levels between member organizations,
- To represent the network and to promote all of its activities on all pertinent European levels,
- To elaborate on the contributions and propositions in order to participate in the definition of a European policy against social exclusion,
- To develop a close and solid collaboration with other European networks active in the social economy with the objective of obtaining synergic results.

## Activities

- Institutional Representation within RIPESS (network for the promotion of the Social Solidarity Economy), being a part of the working group on Social Entrepreneurship;
- Participation to the European Parliament's "Social Economy" Intergroup;
- Participation to IRIS (Network of Ethic and Solidarity Initiatives) and to Social Economy Europe.
- Lobbying at EU level on State Aid legislation – Inclusion of the "multi-disadvantaged" worker;
- Promotion of Social Inclusion Entrepreneurship.

## Relevance for LfC network

Important for all the issues concerning work integration. According to its coordinator, Patrizia Bussi, ENSIE is interested in all the topics of the LfC network, as far as work integration is involved. They have good expertise, at European and national level, on the topics of State aid and public procurement, since they have participated to the consultation launched by the EU Commission. Concerning the issue of social added value, they have set up a members' working group dealing with the quality of work integration and the way to valorise it. The topic of social franchising is dealt by many of its members at national level.

<b>REVES</b> <b>European Network of Cities and Regions for the Social Economy</b>
--

### Address

Boulevard Charlemagne 74,  
B-1000 Brussels Belgium

### Tel and fax

Tel.: +32 2 230 88 10  
Fax: +32 2 230 46 18

### Web site

[www.revesnetwork.eu](http://www.revesnetwork.eu)

### E Mail

[Ima@revesnetwork.eu](mailto:Ima@revesnetwork.eu)

## Members

*(Cursive script: Local Authorities)*

Belgium: *Region Bruxelles-Capitale*;

Finland: *City of Vaasa; City of Kokkola; Concordia; Jupiter Foundation; Nuorisokeskus Villa Elba Oy; Musikcafé After Eight rf*;

France: *Ville de Grenoble; Nantes Metropole; Ville du Creusot; Conseil Regional du Limousin; Region Provence, Alpes, Cotes d'Azur; Conseil Regional Val del Marne ; Coorace paca; Energie alternative; Association Adeline ; Urei ; Ville de Roubaix*

Germany: *Senate of Berlin - Senatsverwaltung für Wirtschaft, Arbeit und Frauen; Kommunales Forum Wedding e.v.; Pfefferwerk Foundation*;

Greece: *Prefecture of Piraeus*;

Ireland: *Carbery Housing Association*;

Italy: *Comune di Genova; Comune di Messina; Comune di Livorno; Comune di Modena; Comune di Pordenone; Provincia di Piacenza; Comune di Faenza; Consorzio BIM di Vallecamonica; Comunità montana di Vallecamonica; Comune di Napoli; Comune di Benevento; Comune di Cervia; Regione Toscana; Impresa a rete, coop. soc. Arl.; FAI Cooperativa Sociale; Campania Felix «Cooperativa Sociale» ; UNISO – Universo Sociale Onlus ; Cooperativa Sociale «Fides et Ratio»; Forum Toscano del Terzo Settore; Federazione regionale solidarietà e lavoro; Job center; Associazione lavoro e integrazione Onlus; Piattaforma per l'economia sociale dell'area dello stretto; Consorzio Parsec; Un Sorriso; Centrali cooperative Ravenna; Arci comitato di lavoro*;

Luxembourg: *Objectif plein emploi a.s.b.l.*;

Morocco : *Centre Méditerranéen Pour L'Environnement et le Développement*;

Sweden: *Municipality of Oestersund; Växjö Kommun; Värmdö Kommun; Örebro County Council; Västra Götaland Region; Coompanion - Cooperative Development Agency in the County of Jamtland; Coompanion Göteborg; SERUS; L&SEK; Companion- cooperative development agency in the region of Vasta Gotland.*

Social economy supporting structures: *CESVIP; Enaip Sardegna.*

Networks: *CECOP aisbl.*

## Objectives

**REVES** represents, defends and promotes the common values of its members vis-à-vis European and International institutions.

Jointly with its members, it pursues the objectives set out in the REVES charter, in order to :

- Establish a dialogue with the European and international Institutions in order to create positive conditions for the development of social and solidarity based-economy ;
- Develop social responsibility and exchange expertise and know-how, and to implement innovation in the fields of inclusion, participation and empowerment of local communities ;
- Educate and communicate the contribution of social economy-based partnership for more solidarity-based communities;
- Be a laboratory for innovation in social policies and to support their dissemination in all territories;
- Cooperate and create synergies with other national, European and international networks and to complement them;
- Pursue these objectives in Europe and at international level with a view to territorial cohesion, international solidarity, promotion of equal opportunity and north-south cooperation ;
- Capitalize on its own and members experiences in the different fields of interest and make them available to all members.

#### Activities

- Lobbying and Communication: fostering transversality with a view to foster social cohesion, sustainability and partnership as fundamental principles of EU policies *in all policy areas*.
- Transnational projects promoting local partnerships for socially sustainable local development (including aspects such as new quality employment; improvement of local services; intercultural dialogue etc.)
- European benchmarking (example: development of the TSR© label – Territorial Social Responsibility);
- Spreading experiences and expertise by means of conferences and seminars;

#### Relevance for LfC network

Unique example of organisation putting together social economy actors and local authorities. Extensive experience on lobbying and project for local development of social economy.

According to its secretary general, Luigi Martignetti, REVES is interested and is working on many topics dealt by the LfC network. On strand 1 and 4, Reves is trying to organise some training seminars (possibly in collaboration with DG Empl and the College of Europe) directed to local authorities officials in order to explain how to apply the norms on State aid and public procurement. On public procurement and PPSP Reves has developed the use of TSR® (Territorial Social Responsibility) a methodology for local planning that integrates social, economic, cultural and environmental dimensions. REVES is now coordinating the Progress project TQS (Territorial Quality Standards in Social Services of General Interest) which aims at developing local mechanisms for a participatory (re-)definition and measuring of local quality standards for social services of general interest (SSGI) which would respond to local needs and provide an orientation to service users, services providers, local authorities and the local community. By the end of 2010 the project will produce a Vademecum for local and regional authorities (political decision-makers and administration in general), social economy and other service providers and political recommendations to local, national and European decision-makers as well as to social economy.

On strand 5, there are some interesting experiences in some of the REVES territories, such as PACA (Provence and Cote d'Azur) where a programme for local development has been developed jointly by public authorities and social economy organisations and Messina, where a Community Foundation is going to fund the development of the local social economy.

### Social Firms Europe CEFEC

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#### E Mail

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#### Web site

[www.socialfirmseurope.org](http://www.socialfirmseurope.org)

## Members

CEFEC has organisational members and supporters:

Organisational members: Gesellschaft fuer Psychische Gesundheit ; Querdenker AG ; Wien Work (**Austria**); AIGS - Association Interregionale de Guidance et de Sante (**Belgium**); The District Psychiatric Dispensary of Rousse (**Bulgaria**); FOKUS – Association for Mental Health Care; Sympathe (**Czech Republic**); CRCA – Cyprus Rehabilitation Counseling Association (**Cyprus**); Specialisterne; Telehandelshus ; Fountain House (**Denmark**); Affinity - Finnish Central Association for Mental Health; VATES Foundation; Woodfox Oy Ltd (**Finland**); Talant Doel - Multiethnic centre for people with disabilities (**Former Yugoslav Republic of Macedonia**) ; BAG Bundesarbeitsgemeinschaft Integrationsfirmen e.V.; (**Germany**); Kaleidoskopio; PEPSAEE Panhellenic Union for Psychosocial Rehabilitation and Work Integration; Psychiatric Hospital of Petra Olympus; Psychiatry Hospital of Thessaloniki; Society of Social Psychiatry (**Greece**); Legacoopbund (**Italy**); The Friends of Disabled Society (**Poland**) ; Associacao de Reabilitacao e Integracao Ajuda (**Portugal**); AREAS (**Romania**), UIPS-Association of Enterprises for Training & Employment of people with disabilities (**Serbia**); Racio Ltd - Human capital development company; SENT – Slovenian Association for Mental Health (**Slovenia**); FAISEM, Iniciativa de Empleo Andaluza, IDEA, S.A (**Spain**); ESPAS-Stiftung fur wirtschaftliche und soziale Integration Erwerbsbeeintrachtigter; INSOS Switzerland ; DieSozialfirma AG ; Öko-Reinigungsservice GmbH (**Switzerland**); Social Firms UK (**UK**).

Supporters : Christiane Haerlin, Derek McClure, Lorenzo Toresini.

## Objectives

To support and encourage the development of Social Firms and social co-operatives around Europe so that more people who currently face severe barriers to the labour market because of their disability or disadvantage can access employment.

## Activities

- Support to organisations that want to create new workplaces
- Exchange of information and mutual support on a national level
- To give its members a voice
- A Database on social firms
- Analysis of the current situation of social firms in the different European countries
- Annual conferences.

## Relevance for LfC network

Organisation specialised in social enterprises for mentally and physical disable people. Scarce resources (relies upon national members). Its main activity is the organisation of an annual conference. In 2010 the annual conference will take place in Cambridge (UK) on July 1<sup>st</sup> and 2<sup>nd</sup> and will be organised by Social Firms UK in the framework of the Year against Poverty. Its title is "Harnessing the power of business to change lives" (programme in preparation). Social Firms Europe also organises regularly an award for the best social firm in Europe. The 2010 edition is now open (more info on web site). According to its Secretary General, Sally Reynolds (from Social Firms UK), all the themes of the LfC Network are relevant for Social Firms Europe, but they are not carrying any specific activity on them, due to lack of resources. They are available to disseminate information and involve their members.

<b>ESFN</b> <b>European Social Franchising Network</b>
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### Address

Ouseburn Farm, Ouseburn Road,  
Ouseburn, Newcastle Upon Tyne,  
NE1 2PA UK

### Tel

Mobile: +44 (0)7951 935235  
Skype: keithrich2

### Web site

[www.socialfranchising.coop](http://www.socialfranchising.coop)

### E Mail

[keith.richardson@economicpartnerships.com](mailto:keith.richardson@economicpartnerships.com)



## Members

Le Mat Italy and Le Mat Europe; FILSE (**Italy**); LID (**Lithuania**); 4th Angle(Uk); INSPIRE/ CASA & CoRE (**UK**); FAF (**Germany**); VATES (**Finland**); Konsortiet Vägen ut! kooperativen / Villa Vägen ut! And Le Mat Sweden; Coompanion (**Sweden**), BAP (Poland).

## Objectives

ESFN works on the promotion and development of social franchising in order to increase the effectiveness of social enterprises, increase their growth and let them achieve social goals. ESFN is committed to:

- Share knowledge, contact and business ideas on social franchising
- Provide support from other involved in social franchising
- Facilitate the development of European Social franchises
- Promote the concept of social franchising
- Make S.F a credible alternative to traditional business development methodologies
- S.F make easier and safer for social entrepreneurs to set up enterprises, providing them with a proven business model and access to trade specific support

## Activities

ESFN aims to:

- Lobbying and representation of social enterprises at European level
- Jointly developing of new business ideas
- Provision of a promotional website and European access point on social franchising with links to national and regional members and social franchise
- Provision of an interactive Wiki website to share information and best practice for members
- Provide an accreditation standard for social franchises

## Relevance for LfC network

Key network to develop social franchising strand. Scarce resources (relies on members). Involved directly in LfC.

## RREUSE

### Address

Rue d'Edimbourg 26  
1050 Brussels, Belgium

### Tel and fax

Tel: +32 (0)2 894 46 14  
Fax: +32 (0)2 894 46 13

### Web site

[www.rreuse.org](http://www.rreuse.org)

### E Mail

[info@rreuse.org](mailto:info@rreuse.org)

## Members

Austria: Verein RepaNet c/o ARGE Müllvermeidung;

Belgium: Koepel van Vlaamse Kringloopcentra vzw. KVK; Ressources;

Finland: NetSer

France: Emmaus France; Réseau des Ressourceries; Fédération Envie;

Germany: Recycling partner e.G.; BAG Arbeit;

UK: Community Recycling Network; Association of charity shops; Community composting network; Community recycling network for Scotland; CYLCH-Wales community recycling network; London community resource network; Furniture Recycling Network;

Ireland: Rehab Recycle;

Netherlands: BKN Branchevereniging Kringloopbedrijven Nederland

Spain: Asociacion Espanola de Recuperadores de Economia Social y Solidaria AERESS;

Greece: Oikoligiki Etaireia Anakyklosis / Ecological Recycling Society

## Objectives

RREUSE's mission is to federate, represent and develop social economy entities working in the sector of reuse and recycling of end-of-life products. It promotes sustainable development taking into



consideration its three pillars: the protection of the environment, the social equity and the economic viability. Furthermore RREUSE operates to spread best practices and benchmarking experiences.

#### Activities

- Policy and lobby work organised around working groups
- Collection of data on the various reuse activities of its members.
- Information and promotional activities.
- Project and research work.

#### Relevance for LfC network

Interesting network for some lobby actions (state aid, public procurement). Acting in a growing sector for social enterprises.

### European SROI Network

#### Address

Haldane Avenue, 29  
Haddington, East Lothian  
EH41 3PG, United Kingdom

#### Tel and fax

Tel: +44 (0)151 703 92 29

#### Web site

[www.sroi-europe.org](http://www.sroi-europe.org)

#### E Mail

[buehler@sroi-europe.org](mailto:buehler@sroi-europe.org)

#### Members

There are currently representatives from Holland, Belgium, Germany, Scotland, England, Northern Ireland and Hungary.

#### Objectives and activities

ESROIN is an informal group of people developing the use of social return on investment across Europe. ESROIN acts as a forum to develop consistency in how SROI is used and to ensure that the principles are maintained.

#### Relevance for LfC network

Key network to develop social added value strand. Scarce resources (relies on members). The coordinator of the EUSROI network is directly involved in LfC as expert.

### 3.3. SPECIALISED ORGANISATIONS DEALING WITH FINANCE

#### FEBEA

#### Address

Rue du Progrès, 333 bte 5  
B-1030 Bruxelles

#### Tel and fax

Tel.: +32 (0)2 2051720  
Fax: +32 (0)2 2051739

#### Web site

<http://www.febea.org>

#### E Mail

[febea@febea.org](mailto:febea@febea.org)

#### Members

The members of FEBEA are savings and credit financial institutions that carry out social finance (finance solidaire) activities of significant importance. Presently they are:  
APS Bank Ltd. (MT), Banca Popolare Etica (IT), Bank für Sozialwirtschaft (DE), Banque Alternative Suisse (Switzerland), BBK Solidarioa Fundazioa (ES), BISE Bank (PL), Caisse Solidaire du Nord Pas-de-Calais (FR), Caixa Pollença (ES), Charity Bank (UK), Consortium ETIMOS (IT), Crédal (BE), Crédit

Coopératif (FR), Cultura Sparebank (Norway), Ekobanken (Se), Etimos (IT) Femu Qui (FR), Fiare Hefboom (BE), Integra Cooperative (SK), Merkur (DK), La NEF (FR), Oekogeno (DE), SIDI (FR), SIFA (FR), Tise SA (PL), Fundacion Caixa Catalunya (ES), Cassa Centrale delle casse rurali (IT)..

### Objectives

FEBEA aims at creating financial tools for solidarity. FEBEA is a place for exchange, sharing experiences and creating common tools to encourage the development of financial solidarity in Europe.

### Activities

FEBEA offers several financial products aiming at creating a refinancing bank for ethical and alternative financial institutions on a European scale. They are:

- SEFEA - European Ethical and Alternative Financing Company
- Mutual Guarantee Fund "Solidarity Guarantee"
- Investment fund « Choix Solidaire »

### Relevance for LfC network

Broad experience on ethical financial tools. Members are all specialised financial institutions providing financial tools at national and local level. FEBEA central structure is very weak (one part-time staff), so most of the work is done by the members, who are very active. Presently FEBEA is preparing an Atlas of good practices (legal framework and financial tools) of its members' countries. The Atlas will be prepared by FEBEA Polish member TISE on the basis of a questionnaire sent to all the members. It will be presented at a European conference that FEBEA is organising in Brussels in November 2010 on "Social economy, ethical finance and finance for the social economy". Two working groups are presently active in FEBEA: Financing social infrastructure in Europe and Ethical saving.

## SOFICATRA

### Address

Avenue Jules César 2, bte 7  
1150 Brussels, Belgium

### Tel and fax

Tel.: + 32 2 770 1562  
Fax: + 32 2 230 7541

### Web site

[www.soficatra.org](http://www.soficatra.org)

### E Mail

[info@soficatra.org](mailto:info@soficatra.org)

### Members

ESFIN (France), CFI (Italy), P&V (Belgium), P&V (Belgium), SNI (Belgium), HBK (Belgium), MON-TEPIO GERAL (Portugal), TRIODOS BANK (The Netherlands), AGRUPACION (Spain).

### Objectives

SOFICATRA's aim is to provide specific solutions in the following fields (among others):

- investment financing;
- financial engineering;
- consultancy on mergers and acquisitions;
- search for partners;
- training of executives and managers;
- implementation of companies' plans.

### Activities

SOFICATRA Group structure is today based on two core-businesses: finance (SOFICATRA) and services (IMPULSE EUROPE, a 100% subsidiary of SOFICATRA, dedicated exclusively to service provision).

The main financial products proposed are equity financing and corporate lending to cooperative enterprises or other forms of companies linked to cooperatives and social economy (e.g. limited company owned by a cooperative). Soficatra intervention goes from a minimum of 150,000 to a maximum of 700,000 € (the amount is a mixture of capital and loan). The interest rate is the market

rate, but the advantage is that each intervention receives a personalised follow-up and is adapted to the specific characteristics of cooperative enterprises.

### Relevance for LfC network

SOFICATRA is a specialised entity in the financing of SMEs with a co-operative or a participatory nature.

Bruno Dunkel, Soficatra director, is also the coordinator of the Finance Working Group of CECOP, which has produced last year a report on various financial institutions serving the social economy in different member states. The Finance working Group is now working on a mapping of public, private and social economy financial institutions providing loans and financial services to social economy enterprises in France, Italy, Spain and Belgium.

Soficatra is available to collaborate with the LfC network and puts its expertise at its disposal;

## COOP EST

### Address

Av. Jules César, 2, box 7  
1150 Brussels, Belgium

### Tel and fax

Tel.: +32 2 770 15 62  
Fax: +32 2 230 75 41

### Web site

[www.coopest.eu](http://www.coopest.eu)

### E Mail

[info@coopest.eu](mailto:info@coopest.eu)

### Members

The founding members are APS Bank (Malta), Caisse Centrale du Crédit Mutuel (France), CFI (Italy), Crédit Coopératif (France), Cultura bank (Norway), ESFIN (France), European Investment Fund, Federazione Trentina della cooperazione (Italy), IDES Investissements (France), IFC, World bank group (USA), MACIF (France), MACIF Participations (France), MAIF (France), SEFEA (Italy), SOFICATRA (Belgium) and TISE (Poland).

### Objectives

CoopEst is a financial facility aiming at initiating and fostering the development of co-operatives, mutual societies, associations, foundations and social enterprises. CoopEst aims to provide long-term financial support both in terms of equity (subordinated loan), long-term loans and guarantees to sustainable and socially responsible projects in the target countries enabling them to leverage further funding for the development of their activities.

### Activities

CoopEst is an investment company set up in 2006 to support and finance socially responsible projects in Central and Eastern Europe. CoopEst intends to intervene through local financial intermediaries in the target countries (Poland, Hungary, Czech Republic, Estonia, Latvia, Lithuania, Slovakia, Slovenia, Bulgaria, Romania, Croatia, Albania, Bosnia and Herzegovina, the Republic of Macedonia, Montenegro, Serbia, Kosovo, Moldova and Ukraine).

### Relevance for LfC network

Interesting organisation in new Member States. Presently Coop-est operates in the following countries through the following intermediates:

Romania : FAER (Microfinance institution specialised in rural development, operating in Eastern Transylvania), LAM (Microfinance institution specialised in rural development, operating in Eastern Transylvania) ; OMRO (Microfinance institution active all over Transylvania and the Banat region) ; ROM-COM (Small microfinance institution operating in Western Transylvania).

Poland : Bank Spółdzielczy Przemków (regional cooperative bank in Przemków, Western Poland) ; Fundusz Mikro (Microfinance institution) ; Gospodarczy Bank Spółdzielczy Barlinek (regional cooperative bank in Barlinek, North-Western Poland) ; Gospodarczy Bank Spółdzielczy Rumia (regional cooperative bank in Rumia, Northern Poland) ; Gospodarczy Bank Wielkopolski (Central institution of one co-operative banking network in Poland) ; Inicjatywa Mikro (microfinance institution belonging to the Opportunity International network.) ; TUW TUW (Mutual Insurance Company) ; Wielkopolski Bank Spółdzielczy SBO Poznan (regional cooperative bank in Poznan);

Bulgaria : KREDITKOOP ; Mikrofond (Microfinance institution) ; Nachala (Microfinance institution).

Kosovo : KRK (microfinance institution operating according to co-operative principals specialised in rural development.).

Lithuania : LCCU (Central institution of the Lithuanian credit and savings associations).

Almost 50% of Coop-est portfolio is directed to Poland, while in terms of beneficiaries 50% is represented by micro-finance institutions.

CoopEst has recently increased its financial capacity from € 15 million to € 30 million thanks to the support of the JASMINE initiative (managed by the European Investment Fund), and the additional commitment of its founding partners and other long term partners including the International Finance Corporation (a member of the World Bank Group).

Coop-est is interested in sharing its experience on financing the social economy in the new members states with the LfC network. Person to contact : Bruno Dunkel (same as for Soficatra).

<b>EMN</b> <b>European Micro-finance Network</b>
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**Address**

Rue de Vaugirard, 103  
75006 Paris, France

**Tel and fax**

Tel.: +33(0)1 42 22 01 19  
Fax: +33 (0)1 42 22 04 66

Rue de Ligne 1  
1000 bruxelles- Belgium

Tel. : +32 (0)2 209 08 38  
Fax: +32 (0)2 209 08 32

**Web site**

[www.european-microfinance.org](http://www.european-microfinance.org)

**E Mail**

emn@european-microfinance.org

**Members**

EMN founding members were Adie (Association pour le Droit à l'Initiative Economique – France), nef (New Economic Foundation – United Kingdom) and EVERS&JUNG (Germany). Today, EMN has 82 members located in 23 European countries. Among them, 67 are full members, 5 are associate members and 10 are corporate members.

**Objectives**

EMN promotes microfinance in the European Union, assisting the fight against unemployment and social exclusion through the development of microentreprises.

EMN work to strengthen the bridge to the mainstream economy by encouraging a continuum of financial services to assure the creation of wealth and the strengthening of social inclusion in Europe.

**Activities**

- Capacity building through: Training courses, Exchange visits, Peer-to-peer Exchange Visits, Annual conferences
- Networking and information exchange through the website and a quarterly newsletter
- Research Publications and identification of Best Practices
- Advocacy to the European Union, governments, and other stakeholders
- The Microfinance Good Practices "Europe Award" in partnership with *Giordano Dell'Amore Foundation*

**Relevance for LfC network**

Relevant network for the finance strand. Also involved in COPIE II for which EMN has carried out the baseline study on finance. EMN is now working on reinforcing the capacity of micro-finance organisations at local level and on providing information to local authorities on the advantages and functioning of micro-finance. In some countries (namely eastern Europe countries EMN is still working to promote recognition of micro-finance. The approach of EMN and its members is on individuals more than groups. Their micro-finance tools are conceived for individuals or micro-enterprises. Therefore, social enterprises are considered a target mainly in their starting phase and if their size is very small. EMN contact person: Philippe Guichandut (Director).

<b>INAISE</b> <b>International Association of Social Finance Organisations</b>
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**Address**

Rue d'Edimbourg, 26  
B-1050, Bruxelles, Belgium

**Tel and fax**

Tel.: +32 (0)2 894 46 84  
Fax: +32 (0)2 894 46 83

**Web site**

[www.inaise.org](http://www.inaise.org)

**E Mail**

[inaise@inaise.org](mailto:inaise@inaise.org)

**Members**

Community Sector Banking (Australia); Buro (Bangladesh); Réseau FA (Belgium); Soficatra (Belgium); Triodos Bank (Belgian branch - Belgium); FEBEA (Belgium); Pro Rural (Bolivia); Sitawi (Brazil); Caisse d'Economie solidaire Desjardins (Canada); Filaction (Canada); Merkur - den Almennyttige Andelskasse (Denmark); SANABEL (Egypt); MAIN (Ethiopia); Osuuskunta Eko-Osuusraha (Finland); IDES (France); SIDI (France); Société Financière de la NEF (France); GLS Gemeinschaftsbank (Germany); KNFP (Haiti); Clann Credo - The Social Investment Fund (Ireland); Banca Etica (Italy); CFI - Compagnia Finanziaria Industriale (Italy); Coopfond (Italy); Soliles (Italy); Citizen Bank (Japan); Etika (Luxembourg); FOROLAC (Mexico); ASN (Netherlands); Triodos Bank (Netherlands); Oikocredit (Netherlands); Cultura Sparebank (Norway); Caffè Peru La Florida (Peru); MFC (Poland); Integra Venture (Slovakia); Tembeka Social Investment Company (South Africa); Triodos Bank (Spain); FIARE Foundation (Spain); Ekobanken Member Bank (Sweden); Coopec-Kalundu (Democratic Republic of Congo); Stromme Microfinance (Uganda); Triodos Bank (United Kingdom); The Charity Bank Limited (United Kingdom); Ecology Building Society (United Kingdom);

**Objectives**

INAISE (the International Association of Investors in the Social Economy) is a global network of socially and environmentally oriented financial institutions.

Through Inaise, social investors from Norway to South Africa and from Costa Rica to Japan have been joining forces to exchange experience, disseminate information and demonstrate to the world that money can actually be a means to achieve positive social and environmental change.

**Activities**

- Encourages and supports international (including North-South) co-operation between investors in the social economy;
- Serves as an information desk for organisations and individuals interested in the field of social economy financing;
- Plays an active role in representing the movement of social investors;
- Disseminates information on its members, new publications, conferences and training courses;
- Organises and facilitates international conferences;
- Contributes to and co-ordinates research projects in the field of social economy financing, sponsored by national and international institutions;
- Facilitates and co-ordinates joint projects by members.

**Relevance for LfC network**

Relevant network for the finance strand. INAISE is a global network, working mainly as to create liaisons and contacts among members. It has very scarce resources (one part-time coordinator), so most of the activities are done by the members. It has created four working groups: social banks, Financing Renewable Energy in the South, World Social Finance Observatory (WSFO), Asia Pacific Social Finance Bank. Only the group on social banks and renewable energy are active. Most of its European members are also involved in other European finance organisations (e.g. Febea, EMN, etc).

<b>EUROPEAN NETWORK OF CREDIT UNIONS</b>
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**Address**

Chaussée de Wavre 214D  
1050 Brussels  
Belgium

**Tel and fax**

Tel: 0032 2 626 9500  
Fax: 0032 2 626 9501

**Web site**  
[www.creditunionnetwork.eu](http://www.creditunionnetwork.eu)

**E Mail**  
[info@creditunionnetwork.eu](mailto:info@creditunionnetwork.eu)

### Members

Association of British Credit Unions, Ltd. (ABCUL); Central Federation of Romanian Credit Unions (FEDCAR); Estonian Union of Credit Cooperatives (EUCC); Irish League of Credit Unions (ILCU); Macedonian Credit Union Movement (FULM); National Association of Co-operative Savings and Credit Unions, Poland (SKOK).

### Objectives

Credit unions are regulated and supervised at the national level; however EU legislation increasingly impacts the credit union movement. In order to ensure appropriate and proportionate regulation for credit unions, six European associations and the World Council of Credit Unions created the European Network of Credit Unions. The network serves as a platform to exchange information and speaks with one voice on European matters.

### Activities

The activities of the network are to:

- Educate EU policymakers on what a credit union is, how it is structured and what services it provides
- Raise awareness of the social role credit unions play, both in European countries and world-wide
- Formulate positions on EU policies identified as highly important to the credit union movement
- Advocate these positions vis-à-vis EU decision-makers
- Engage in an open dialogue with policymakers and other stakeholders.

### Relevance for LfC network

The network is very recent and does not have many own resources. It acts mainly through its members. Most of its members are part of the social economy in their country and are willing to collaborate with the LfC network to ameliorate access to finance for the social economy. The Network coordinator, Anne Schneider, will keep informed its members on the LfC network activities.

## MFC (Micro Finance Centre)

**Address**  
ul. Koszykowa 60/62 m. 52  
00-673 Warsaw, Poland

**Tel and fax**  
tel.: (48-22) 622 34 65  
fax: (48-22) 622 34 85

**Web site**  
[www.mfc.org.pl](http://www.mfc.org.pl)

**E Mail**  
[microfinance@mfc.org.pl](mailto:microfinance@mfc.org.pl)

### Members

Albania: Albanian Savings and Credit Union; BESA Fund; First Albanian Finance Development Company FAF-JC; Opportunity Albania

Armenia: AREGAK Universal Credit Organisation CJSC; Armenian ECLOF Foundation; FINCA Armenia; Inecobank CJSC; Microenterprise Development Fund KAMURJ; Nor Horizon Universal Credit Organization LLC;

Austria: good.bee Holding GmbH;

Azerbaijan: AqrolInvest Credit Union; Azerbaijan Credit Unions Association (AKIA); Azerbaijan Micro-finance Association (AMFA); Azeri Star Microfinance LLC; CredAgro Non Banking Credit Organization; Social Fund for the Development of IDPs (SFDI); Vision Fund AzerCredit LLC;

Belarus: Republican Microfinance Center;

Belgium: CoopEst SA; INAISE – International Association of Investors in the Social Economy;

Bosnia & Herzegovina: First Islamic Microfinance Foundation; MCO Zene za zene International/Women for Women International; Micro Credit Company MIKROFIN; Micro Credit Organization LIDER; Microcredit Foundation EKI; Microcredit Foundation LOK; Microcredit Foundation MIKRA; Microcredit Foundation MIKRO ALDI; Microcredit Foundation PRIZMA; Microcredit Foundation SUNRISE; Microcredit Organization MI-BOSPO; PARTNER Microcredit Foundation;

Bulgaria: Mikrofond AD; Nachala Cooperative; UNDP – Job opportunities through Business Support – JOBS Project

Croatia: Credit Union NOA; DEMOS Savings and Loan Cooperative;

France: ADIE – Association pour le droit à l’initiative économique; European Microfinance Network (EMN);

Georgia: JSC Bank Constanta ; JSC MFO « Crystal » ; LLC Microfinance Organization CREDO ; Microfinance Organization Alliance Group Ltd.

Kazakhstan: Association of microfinance Organizations of Kazakhstan (AMFOK); Kazakhstan Microlending Organization “Bereke”; LLP MCO “Arnur Credit”; MCO Asian Credit Fund LLC; MCO “KazMicroFinance” LLC (KMF);

Kosovo: Agency for finance in Kosovo; KEP Trust; KosInvest;

Kyrgyzstan: ACDI/VOCA Kyrgyzstan; Association of Microfinance Institutions (AMFI), Union legal entities; FINCA Microcredit Company CJSC (FMCC); Frontiers LLC – Micro Lending Company; Kompanion Financial Group MCC LLC; MCC “Mol Bulak Finance” LLC; Microcredit Company “Bai Tishum and Partners” LLC;

Luxembourg: European Microfinance Platform (e-MFP);

Macedonia: Foundation HORIZONTI; Mikro Kredit Lizing Societi D.O.O.; Saving House MOZNOSTI;

Moldova: JV MFO Microinvest LLC;

Mongolia: Micro-finance Development Fund; Mongol Post Bank; VisionFund NBFI; XacBank.

Montenegro: Agroinvest; Alter Modus; Opportunity Bank Montenegro;

Netherlands: Oikocredit EDCS U.A.;

Poland: Fundusz Mikro Sp. Z.o.o.; Inicjatywa Mikro Sp. Z.o.o.; Rural Development Foundation;

Romania: CAPA Finance IFN S.A.;

Russian Federation: ZAO FINCA;

Serbia: Micro Development Fund; MicroFinS – DBS;

Slovakia: Habitat for Humanity International Europe and Central Asia Regional Office;

Switzerland: responsibility Social Investment AG;

Tajikistan: Association of Micro-finance Organizations in Tajikistan (AMFOT); CJSC MCDO “Bovari va Hamkori”; LLC MLO “IMON International”; LLC MLO “Haqiqi Jahon”; Micro Loan Fund “Jovid”; Micro Loan Fund “Borshud”; Micro Loan Organization “Gender and Development” LLC; Micro-Lending Organization “OXUS Micro Finance”; Micro Loan Organization “Furuz” LLC; OJSC “Bank Eskhata”;

Ukraine: Finance Company “Nadiya Ukrainy” Ltd.;

United Kingdom: European Bank for Reconstruction & Development (EBRD), Group of Small Business;

USA: Developing World Markets; Mercy Corps; ShoreBank International Ltd.; Women’s World Banking;

Uzbekistan: JSC Mikrocreditbank; National Association of Microfinance Organization and Credit Unions of Uzbekistan /NAMOCU); OJSCB Kapitalbank; Socio-Economic Development Centre “SABR”.

## **Objectives**

MFC’s mission is:

- To contribute to Poverty reduction and human potential development;
- Provide high quality service;
- Build long-term relationship with the microfinance community.

## **Activities**

Activities aim to promote a socially oriented and sustainable microfinance sector that provides adequate financial and non-financial service to a large number of poor families and micro-entrepreneurs.

## **Relevance for LfC network**

MFC covers mainly east Europe and far Europe countries;. It realises and disseminates studies on micro-finance and serves as an information hub for its members. It organises a yearly conference and capacity building seminars at local level. Many of its European members are also members of other financial networks (Coop-est, INAISE),



### 3.4. STUDY AND RESEARCH NETWORKS AND CENTRES

<b>EMES</b> <b>EMES European Research Network</b>
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**Address**

c/o Centre d'économie sociale  
University of Liege,  
Bd du Rectorat, B33, box 4, 4000 Liege (Sart-  
Tilman)-Belgium

**Tel and fax**

Tel.: +32 (0)4 366 31 39  
Fax: +32 (0)4 366 28 51

**Web site**

[www.emes.net](http://www.emes.net)

**E Mail**

[info@emes.net](mailto:info@emes.net)

**Members**

Research centres: CCS - Centre for Co-operative Studies, University College Cork (Ireland); CERISIS - Centre de Recherches Interdisciplinaires pour la Solidarité et l'Innovation Sociale (Belgium); CES - Centre d'Economie Sociale (Belgium); CSE – Centre for Social Entrepreneurship, Roskilde University, (Denmark); CESIS - Centro de Estudos para a Intervencao Social (Portugal); CIES - Centro de Investigación de Economía y Sociedad (Spain); CRIDA - Centre de Recherche et d'Information sur la Démocratie et l'Autonomie (France); CRU - Co-operatives Research Unit (United Kingdom); EURICSE - European Research Institute on Cooperative and Social Enterprises (Italy); ISF - Institute for Social Research (Norway); SH - Södertörns högskola (Sweden).

Individual members: Karl Birkhölzer, Tech-Net Berlin, (Germany); Taco Brandsen - Radboud University Nijmegen, (The Netherlands); Adalbert Evers, Justus Liebig University, Giessen, (Germany); Laurent Gardin, Université de Valenciennes/LISE; Jean-Louis Laville, CNAM/LISE, Paris; Vincent Lhuillier, Ecole de Santé Publique, Université Henri Poincaré (France); Ewa Leś, Polish Academy of Sciences, (Poland); Pekka Pättiniemi, KSL Civic Association for Adult Learning, (Finland); Victor Pestoff, Mid-Sweden University, (Sweden).

**Objectives**

EMES' goal is to gradually build up a European corpus of theoretical and empirical knowledge, pluralistic in disciplines and methodology, around social enterprise and other "third sector" issues.

**Activities**

The range of activities carried out by EMES, its members and partners can be divided into:

- RESEARCH – EMES conducts multidisciplinary studies to understand the diversity of experiences at national levels, and the way third sector organisations are embedded in their respective societies.
- EDUCATIONAL PROGRAMS – EMES directly and indirectly supports efforts to teach this field in European universities, be it through the development of doctoral summer schools, university programs, hosting of interns or participation in European initiatives.
- DISSEMINATION – As an organizer of or participant in international and national conferences, seminars and meetings, EMES aims to make the results of its research projects and publications widely known in the academic world and in various economic, social and political arenas as a way of enriching the knowledge accumulated and contributing to the field. In this perspective, EMES has published seven books to date some of which have been translated into more than five languages. It also publishes the EMES Working Papers Series which includes 33 papers with the results of its different research projects and the EMES Conferences Selected Papers. An additional means of disseminating research results are conferences and workshops.

**Relevance for LfC network**

Main interlocutor for scientific matters. Presence of experts on social enterprises in almost all EU countries. According to its coordinator, Rocio Nogales, EMES can contribute to the work of LfC as a resource centre and providing expertise on specific researches. EMES research presently focus on social enterprise (especially in new member States, Balkan and CIS countries), EMES organises an international conference every two year: next one will take place in 2011.

The specific expertise of its members, related to the LfC network strands is:



Marthe Nyssens (BE): public procurement and work integration;  
Roger Spear (UK): finance  
Laurent Fraisse (FR) and Eloisa Perista (PT): SSGI  
Carlo Borzaga (IT): social added value  
Lars Urlgard (DK): social franchising.

## CIRIEC INTERNATIONAL

### Address

Université de Liège au Sart-Tilman  
Bâtiment B33 - boîte 6  
BE-4000 Liège, Belgium

### Tel and fax

Tel.: +32 (0)4 366 27 46  
Fax: +32 (0)4 366 29 58

### Web site

[www.ciriec.ulg.ac.be](http://www.ciriec.ulg.ac.be)

### E Mail

[ciriec@ulg.ac.be](mailto:ciriec@ulg.ac.be)

### Members

CIRIEC comprises both individual and collective members:

- Collective members consist of agencies, enterprises and organizations forming part of the public, cooperative and not-for-profit sectors of the economy and also of any bodies with an interest of a scientific or cultural nature in these economic activities.
- Individual members, namely researchers, experts, professors or other persons interested in the activities that CIRIEC develops. Individuals may become part of the scientific network of CIRIEC.

Currently CIRIEC has 15 national sections in Argentina, Austria, Belgium, Brazil, Canada, Colombia, France, Germany, Italy, Japan, Portugal, Spain, Sweden, Turkey, and Venezuela.

### Objectives

CIRIEC international (the International Centre of Research and information on the Public, social and Cooperative Economy) is an international, nongovernmental scientific organisation which brings together enterprises and organisations of the social economy (cooperatives, mutual societies and nonprofit organisations) and of the public sector, as well as people interest in these fields. The aims of the organisation include promoting international exchanges between the different types of enterprise that are oriented towards serving the collective or general interest and between the world of business people and the scientific world.

### Activities

CIRIEC realises research activities (internal or sponsored) and organises international events. It publishes the Series Social Economy & Public Economy, a quarterly newsletter, working papers and reports and books. It has recently launched the "Edgard Milhaud" Prize. Awarded for the first time in 2010, it will distinguish the work of a young researcher or expert on a matter of interest to CIRIEC.

### Relevance for LfC network

High level scientific work. Annual prestigious scientific conference. Covers several fields and the whole world.

## EURICSE European Research Institute on Cooperative and Social Enterprises

### Address

Via S.Giovanni 36  
38122 Trento (TN) – Italy

### Tel and fax

Tel.: +39 0461 882289  
Fax: +39 0461 882294

### Web site

<http://www.euricse.eu/>

### E Mail

[info@euricse.eu](mailto:info@euricse.eu)

## Members

Institutional Members: the founders of Institute (Cooperatives Europe, Federazione Trentina della Cooperazione, the Fondazione Cassa di Risparmio di Trento e Rovereto, the Province of Trento, and the University of Trento)

Ordinary Members: subjects that contribute significant resources to the Institute's assets.

Associate Members: any public or private body other than those mentioned above may become an Associate Member if it contributes to the activities of the Institute with a lump sum or annual contribution, or with other resources or skills.

## Objectives

Euricse is a foundation promoting the understanding and development of cooperatives, social enterprises, non-profit organizations, and commons.

Euricse focuses on organizations and enterprises characterized by participatory management models, development approaches that blend social and economic well-being, and the pursuit of purposes other than profit.

## Activities

In order to fulfill its mission, Euricse works in four key areas:

- Research
- Training
- Consulting
- Networking.

## Relevance for LfC network

Relatively new centre focused on cooperatives and collaborating with EMES on social enterprises issues.

<b>SKOLL</b> <b>Skoll Centre for Social Entrepreneurship</b>
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### Address

c/o Saïd Business School, University of Oxford  
1, Park End Street  
Oxford, United Kingdom OX1 1HP

### Tel and fax

Tel.: +44 (0) 1865 288 800  
Fax: +44 (0) 1865 288 805

### Web site

[www.sbs.ox.ac.uk/centres/skoll/Pages/default.aspx](http://www.sbs.ox.ac.uk/centres/skoll/Pages/default.aspx)

### E Mail

## Members

The Skollar community forms a network of leading agents of change, pioneering entrepreneurial solutions to some of the most pressing challenges today.

## Objectives

The Skoll Centre was launched in 2003 at the Saïd Business School, Oxford University to promote the advancement of social entrepreneurship worldwide. It was founded with a generous grant from Jeff Skoll, the largest funding ever received by a business school for an international programme in social entrepreneurship.

The Skoll Centre is a leading global entity for the advancement of social entrepreneurship. It fosters innovative social transformation through education, research, and collaboration.

## Activities

The Skoll Centre is a leading academic entity for the advancement of social entrepreneurship worldwide. It fosters innovative social transformation through education, research, and collaboration, by:

- [Developing Talent](#): world-class graduate education that provides students with the vision and skills to bring together market-based approaches and social innovation;
- [Advancing Research](#): contributes to the theory of social entrepreneurship and its practical applications to address critical global challenges whilst developing and supporting a network of academics and practitioners to disseminate this knowledge globally;
- [Creating a Collaborative Hub](#): connect social entrepreneurs with thought leaders and key players in business, government, and philanthropy to enhance social impact.

**Relevance for LfC network**

Based on the concept of social entrepreneurship, rather than social economy. It could be interesting to contact for exchange of ideas and dissemination.

<b>INEES</b> <b>European Institute for Solidarity based Economy</b>
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**Address**

Rue du Moulin, 1  
L-3857, Schiffhage (Luxembourg)

**Tel and fax**

Tel.: +352 53 04 45 435  
Fax: +352 53 04 45 510

**Web site**

[www.inees.org](http://www.inees.org)

**E Mail**

info@inees.org

**Members**

Objectif Plein Emploi (Luxembourg) ; Fondation Rurale de Wallonie (Belgium) ; European Centre Community Education - Koblenz (Germany) ; Centre Universitaire de Coopération Economique et Sociale - Nancy (France) ; Universität Trier (Germany) ; Höhere Fachschule für Soziale Arbeit Basel (Switzerland) ; Université Luxembourg (Luxembourg) ; Fachhochschule München (Germany) ; Euronetz and Technische Universität Berlin IFG Lokale Ökonomie (Germany) ; Université de Clermont-Ferrand (France) ; Programme LEED – OCDE ; Centre de Recherche Public Henri Tudor – CRPHT (Luxembourg) ; Centre de Recherche et d'Information sur la Démocratie et l'Economie – CRIDA (France).

**Objectives and activities**

INEES' goal is the emergence and the recognition of the third sector between public sector economy and private sector economy: the social and solidarity economy (SSE).

Another important activity is the identification of a networking with the actors and protagonists in SSE at the European level. With as first aim, to better understand and know each other. Then, to speak out with one voice, even if the concepts of SSE are different in each country and culture, to come out with a force of proposition for the recognition and the valorisation of the SSE. INEES' activities are therefore various, but the principle still remains: the organisation process leans on the participation and valorisation of the resources.

**Relevance for LfC network**

Approach based on solidarity-based and alternative economy. It could be interesting to contact them for exchange of ideas and dissemination.

<b>CERMi</b> <b>Center for European Research in Microfinance</b>
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**Address**

c/o Université Libre de Bruxelles, Campus du Solbosch  
Avenue F.D. Roosevelt 21 - CP145/1  
B-1050 Brussels, Belgium

**Tel and fax**

Tel.: +32 (0)2 650 41 62  
Fax: +32 (0) 2 650 41 88

**Web site**

<http://www.solvay.edu/EN/Research/CERMi/contact.php>

**E Mail**

cermi@ulb.ac.be

**Members**NGOs:

ADA (Luxembourg) ; Aquadev (Senegal) ; Comité d'Echange, de Réflexion et d'Information sur les Systèmes d'Epargne-crédit - CERISE (France) ; Copeme (Spain), PlaNet Finance (France) ; SOS Faim (Belgium).

Academic Partners :

The Burgundy Schhol of Business' Research Center – CEREN (France); Indian Institute of Management - Ahmedabad (India); Institut Français de Pondicherry – IFP (France); Université Paris-Dauphine (France); Wageningen Universiteit (The Netherlands).

### **Objectives**

CERMi's mission is to promote academic research in order to support the key stakeholders in the microfinance industry: NGOs, cooperatives, donors, investment funds and financial institutions, and to develop suitable frameworks to critically examine existing microfinance practices.

CERMi aspires to become a leading academic centre in microfinance. Toward this end, it will establish long-term partnerships with universities from the South which are also engaged in microfinance research. CERMi plans to play an active role in research missions abroad, in partnership with donors and microfinance actors in the field.

### **Activities**

CERMi creates and promotes academic research in microfinance, through the support of doctoral research programmes and international publications, and through the organisation of workshops, seminars and conferences.

CERMi is also committed to support the development of the European Master in Microfinance / European Microfinance Programme developed by the Academie Wallonie-Bruxelles and the Universities of Paris-Dauphine and Wageningen, in partnership with the NGOs PlaNet Finance, CERISE, SOS FAIM and ADA.

### **Relevance for LfC network**

Source of information for finance strand.

<p style="text-align: center;"><b>ENSR</b> <b>European Network for Social and Economic Research</b></p>
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#### **Address**

5, Rue Archimède, Box 4  
1000 Brussels (Belgium)

#### **Tel and fax**

Tel.: +32 (0)2 510 08 84  
Fax: +32 (0)2 510 08 85

#### **Web site**

[www.ensr.eu](http://www.ensr.eu)

#### **E Mail**

secretariat@ensr.eu

### **Members**

Austrian Institute for SME Research (Austria); Research Centre for Entrepreneurship (Belgium); Foundation for Entrepreneurship Development – FED (Bulgaria); Economarket Bureau of Economic and Market Research Ltd. (Cyprus); Business Development Institute Ltd., in cooperation with the Business School Ostrava (Czech Republic); Oxford Group (Denmark); PRAXIS Center for Policy Studies (Estonia); TSE Entre, Turku School of Economics (Finland); CRÉDOC: Centre de Recherche pour l'Etude et l'Observation des Conditions de Vie (France); Citia (France); Institut für Mittelstandsforschung – IfM (Germany); University of Piraeus Research Centre (Greece); The Small Business Development Center at the Corvinus University (Hungary); Institute for Business Research, University of Iceland (Iceland); The Economic and Social Research Institute – ESRI (Ireland); IULM University, Economics and Marketing Institute (Italy); Baltic International Centre for Economic Policy Studies – BICEPS (Latvia); Swiss Research Institute of Small Business and Entrepreneurship at the University of St. Gallen - KMU-HSG (Liechtenstein); Public Policy and Management Institute (Lithuania); Centre de Promotion et de Recherche de la Chambre des Métiers du Grand-Duché de Luxembourg (Luxembourg); Economic & Management Consultancy Services Ltd – EMCS (Malta); EIM Business & Policy Research (The Netherlands); Agderforskning/ Agder Research (Norway); Entrepreneurship and Economic Development Research Institute, Academy of Management – EEDRI (Poland); Tecninvest (Portugal); Chamber of Commerce and Industry of Romania - Business Information Division (Romania); Peritus (Slovak Republic); Institute for Entrepreneurship and Small Business Management, Faculty of Economics and Business, University of Maribor, Maribor (Slovenia); Ikei Research & Consultancy (Spain); Oxford Research AB (Sweden); KMU-HSG: Swiss research institute of small business and entrepreneurship at the University of St.Gallen (Switzerland); Systems Sciences Research Center, Middle East Technical University – SIBAREN (Turkey); Centre for Small and Medium Sized Enterprises, University

of Warwick (United Kingdom); SME Research Services (United Kingdom); Small Business Research Centre, Kingston University (United Kingdom).

### **Objectives**

ENSR is a network of institutes specialised in applied policy research with a special focus on small and medium-sized enterprises (SME) and entrepreneurship. The ENSR now covers all kind of issues that are related to the business sector: entrepreneurship, labour, production, innovation, internationalisation, CSR, impact assessments, social affairs, etc.

University graduates form the main work force of each member. In total more than 600 highly qualified researchers specialised in applied economic and social research are brought together in the Network. Professors, holding a chair in SME economics or in business economics, manage some of the member-institutes.

### **Activities**

The ENSR is able to carry out research about any issue related to the business sector.

### **Relevance for LfC network**

Source of information for topics related to enterprise development. The network and its members carry out several studies for the European Commission, namely DG ENTR and DG EMPL.

## **3.5. EUROPEAN NETWORK INTERESTED IN SOCIAL ECONOMY**

These organisations have a broader scope and social economy is only part of their action. They are all important lobby actors on the European scene.

<b>EAPN</b> <b>European Antipoverty Network</b>
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#### **Address**

18, Square de Meeus,  
B-1050 Brussels, Belgium

#### **Tel and fax**

Tel.: +32 (0)2 226 58 50  
Fax: +32 (0)2 226 58 69

#### **Web site**

[www.eapn.org](http://www.eapn.org)

#### **E Mail**

[team@eapn.eu](mailto:team@eapn.eu)

### **Members**

EAPN is a network of 25 national networks of voluntary organisations and grassroots groups active in the fight against poverty within each member state of the EU, and of European organisations whose main activities are related to the fight against poverty and social exclusion. National members are: EAPN Austria (Die Armutskonferenz), EAPN Belgium, EAPN Bulgaria (BAPN), EAPN Cyprus, EAPN Czech Republic, EAPN Denmark (Danemu), EAPN Finland, EAPN France, EAPN Germany (NAK), EAPN Greece, EAPN Hungary (HAPN-Hungarian Anti Poverty Network), EAPN Ireland, EAPN Italy (CILAP), EAPN Lithuania, EAPN Luxembourg (Letzebuerg), EAPN Malta, EAPN Netherlands, EAPN Poland, EAPN Portugal (REAPN), EAPN Romania, EAPN Slovakia, EAPN Slovenia, EAPN Spain, EAPN Sweden, EAPN United Kingdom.

There are also 23 international organisations which are members of the EAPN.

### **Objectives**

EAPN's core objectives are:

- to put the fight against poverty and social exclusion on the political agenda of the European Union;
- to promote and enhance the effectiveness of actions against poverty and social exclusion;
- to lobby for and with people and groups facing poverty and social exclusion.

EAPN includes the objectives of gender equality and anti-racism in all its areas of work.

## Activities

Advocacy  
Analysis  
Information  
Exchange  
Training

Task Forces (Social Inclusion, employment, Structural Funds) nad the Services working group.

## Relevance for LfC network

EAPN promote social economy and especially WISEs (Work Integration Social Enterprises) as a tool for promoting inclusion and fighting poverty. EAPN is one of the main lobby organisations in the social field.

On Services of General Interest, EAPN campaigned together with the Social Platform against the Services Directive on three key areas: get Services of General Interest excluded from the Directive, get the specificity of social and health services recognized and excluded, get the “country of origin” principle abolished, which could have led to social dumping. EAPN contributed actively to the debate of the future of SGIs in the EU. EAPN published a glossary on services of general interest and an explainer on the Services Directive. On Social Services of General Interest, EAPN has contributed to the Social Platform’s proposal on quality social services, putting a strong focus on user participation of users and affordability of social services. EAPN made specific proposals on quality social services in its Principles on Active Inclusion. Social Services were a key theme of the 7<sup>th</sup> Meeting of People Experiencing Poverty, where participants could exchange on their experience and discuss common recommendations.

Financial inclusion is the last key topic for EAPN so as to prevent over-indebtedness and highlight the need to tackle financial exclusion through integrated approaches going beyond the question of basis access to a bank account. In April 2009, EAPN sent contribution to the European Commission's consultation on access to a basic bank account and also contributed together with Roseau de Financement Alternatif and ECDN to a Response to the European Commission's consultation on Responsible Borrowing and Lending in the EU.

## Social Platform

### Address

18, Square de Meeus,  
B-1050, Brussels, Belgium

### Tel and fax

Tel.: +32 (0)2 511 37 14  
Fax: +32 (0)2 511 19 09

### Web site

[www.socialplatform.org](http://www.socialplatform.org)

### E Mail

[platform@socialplatform.org](mailto:platform@socialplatform.org)

## Members

The Social Platform is composed of three membership categories: Full members, Associate members and Observers.

Full members: AGE - The European Older People's Platform; ATD - Fourth World International Movement; Autism Europe; Caritas Europa; CEBSD - Combined European Bureau for Social Development; COFACE - Confederation of Family Organisations in the EU; Eurochild; Eurodiaconia; EAPN - European Anti Poverty Network; EAEA - European Association for the Education of Adults; EASPD - European Association of Service Providers for Persons with Disabilities; EBU - European Blind Union; Euronet - European Children's Network; CECOP - European Confederation of Workers' Co-operatives, Social Cooperatives and Participative Enterprises; CEDAG - European Council for Non-Profit Organisations; EDF - European Disability Forum; EPR – European Platform for Rehabilitation, FEANTSA - European Federation of National Organisations working with the Homeless; EURAG - European Federation of Older Persons; FEFAF - European Federation of Unpaid Parents and Carers at Home; CE-CODHAS - European Liaison Committee for Social Housing; ENAR - European Network Against Racism; EPHA - European Public Health Alliance; ESAN - European Social Action Network; EWL - European Women's Lobby; YFJ - European Youth Forum; ICSW - International Council on Social Welfare; MHE - Mental Health Europe; Solidar; Inclusion Europe - The European Association of Societies of Persons with Intellectual Disability and their Families; ILGA-Europe - The European Region of the International Lesbian and Gay Association; CEV - The European Volunteer Centre; FAI - The International Federation of the Christian Associations of Italian Workers; Workability Europe, WAGGGS-

World association of girl guides and girl scouts Europe region, IFSW – International Federation of Social Workers, ECDN European Consumer Debt Network.

Associate Members: AFEM - Association des Femmes de l'Europe Méridionale; ERIO - European Roma Information Office; IPPF EN - International Planned Parenthood Federation European Network; Red Cross EU Office; Save the Children Europe Group; YES Forum - Youth and European Social Work

### **Objectives**

The Social Platform and its members are committed to the advancement of the principles of equality, solidarity, non discrimination and the promotion and respect of fundamental rights for all, within Europe and in particular the European Union. The Platform acts a vehicle for its member organisations to express their shared values and shape these into a strong voice for the social NGO sector.

### **Activities**

Policy and campaigning work, the Social Platform enables its member organisations to pool ideas and expertise, building their common experience into a positive force for social change in the EU.

Dissemination of information and promotion of understanding of EU policies of concern to social NGOs.

Exchange of knowledge and experience amongst social NGOs.

Social Platform is active in the following fields:

- Corporate Social Responsibility
- Demographic and Social Change
- Employment
- Equality & Anti-Discrimination
- EU Presidencies
- Fundamental Rights
- Future of Europe
- Integration of migrants
- Lisbon Strategy for "growth and jobs"
- Participatory Democracy & Good Governance
- Public Procurement
- Services of General Interest & Social and Health Services
- Social Protection and Social Inclusion
- Sustainable Development

### **Relevance for LfC network**

The Social Platform is the main EU lobby on many topics dealt by the LfC network. The Social Platform does not have a specific focus on the social economy, but many of its members are social economy organisations. It has a specific working group on Social Services of General Interest. The issues of State aid and public procurement are also dealt by the SSGI group. The Social Platform has also promoted an informal group of social services' providers which meets every two months to discuss specific issues concerning provision of social services. The LfC Network is invited to present its activities to a Social Platform meeting in order to see which of its members is interested in collaborating with LfC. Contact person: Roshan Di Puppo (Director).

## **FEDES**

**Federation of employers active in the taking care of disabled and vulnerable persons**

### **Address**

Rue des Colonies 11  
1000 Brussels, Belgium

### **Tel and fax**

Tel: +33 6 71 30 50 12

### **Web site**

[www.fedes.net](http://www.fedes.net)

### **E Mail**

[contact@fedes.net](mailto:contact@fedes.net)

### **Members**

AMFORS (Netherlands), BAG WfbM (Germany), FEGAPEI (France), VSZOSZ (Hungary), WORKABILITY EUROPE (European network).



## Objectives

FEDES aims at promoting and defending the interest of organisations managing structures accompanying disabled and dependent people, in their mission as employers and in the framework of articles 138 and 139 of the Treaty of the European Union.

## Activities

It is part of the intersectoral dialogue through its partnership with CEEP.

Among the actions:

- Participation in European negotiations (eg.) (Inclusive Labor Markets);
- Participation in the work of CEEP across the Commission;
- Contribution to lobbying on social services and the social economy with perspective employer actions consultations.

## Relevance for LfC network

Lobby on SSGI and inclusion.

## SOLIDAR

### Address

Rue du Commerce 22  
1000 Brussels, Belgium

### Tel and fax

Tel: +32 2 500 1020  
Fax : +32 2 500 1030

### Web site

[www.solidar.org](http://www.solidar.org)

### E Mail

[solidar@skynet.be](mailto:solidar@skynet.be)

## Members

ACPP (Assamblea de Cooperacion por la Paz, Spain), ASB (Arbeiter-Samariter-Bund, Germany), ASB (Arbeiter-Samariter-Bund, Austria), AWO (Arbeiterwohlfahrt Bundesverband e.V., Germany), AWO International (Germany), ARCI (Italy), Auser (Italy), Baltic Platform comprising: JMC (Johannes Mihkelson Centre, Estonia), Riga Education and Science Workers Trade Union, Latvia, LLES (Lithuanian Labour Education Society), CSV (Community Service Volunteers, UK), FCD (Solidarité Socialiste, Belgium), FOS (Fonds voor Ontwikkelingssamenwerking, Belgium), Fédération Européenne de l'Education et la Culture (France), Federation Nationale Leo Lagrange (France), FIC (Fagligt Internationalt Center, Denmark), Humanitas (The Netherlands), IFWEA (International Federation of Workers' Education Association), ISCOD (Istituto Sindical de Cooperacion al Desarrollo, Spain), ISCOS (Istituto Sindacale di Cooperazione allo Sviluppo, Italy), ISF (International Solidarity Foundation, Finland), JPA (Jeunesse au plein air, France), La Ligue de l'Enseignement (France), Lega Provinciale Cooperative Bolzano (Italy), MPDL (Movimiento por la Paz, el Desarme y la Libertad, Spain), NPA (Norwegian People's Aid), Olof Palme International Center (Sweden), Progetto Sviluppo (Italy), Progetto Sud (Italy), SAH (Swiss Labour Assistance, Switzerland), Solidaridad Internacional (Spain), Solidarité Laïque (France), SASK (Trade Union Solidarity Centre of Finland), TSL Workers' Educational Association (Finland), UNALG (Union Nationale des Associations Laïques Gestionnaires, France), UNISON (UK), Volkshilfe Österreich Bundesverband (Austria), War On Want (UK).

## Objectives

SOLIDAR is an independent international alliance of NGOs who are involved in social service provision, international cooperation, humanitarian aid and life-long learning, and are historically linked to the free and democratic labour and trade union movement.

## Activities

- To work towards influencing EU and international policies in our fields of works.
- To link members together to network and carry out humanitarian and development projects.
- To promote the participation of civil society (citizens), from the developed and developing world, in decision-making processes.
- To strengthen alliances with organisations committed to our common principles both at European and global level.

## Relevance for LfC network

Lobby and exchange of information on SSGI, public procurement, PPSP.



## EURODIACONIA

**Address**

Rue Joseph II, 166  
1000 Brussels, Belgium

**Tel and fax**

Tel.: +32 2 234 38 60  
Fax : +32 2 234 38 65

**Web site**

[www.eurodiaconia.org](http://www.eurodiaconia.org)

**E Mail**

[office@eurodiaconia.org](mailto:office@eurodiaconia.org)

**Members**

Diakonie Austria, Diaconia of the Evangelical Church of the Czech Brethren, Silesian Diaconia, Dansk Diakoniråd, Kofoeds Skole (Denmark), Association of Diaconia Institutes in Finland, Church Resources Agency (Finland), Evangelical Lutheran Church of Finland, Fédération de l'Entraide Protestante (France), Diakonisches Werk der EKD (Germany), Internationale Konferenz theologischer Mitarbeiterinnen und Mitarbeiter in der Diakonie e.V. (Germany), Kaiserswerther Verband (Germany), Verband Evangelischer Diakonen-, Diakoninnen und Diakonatsgemeinschaften in Deutschland e.V. (VEDD), Evangelical Lutheran Church in Hungary (ELCH), Hungarian Reformed Church, Hungarian Interchurch Aid (HIA), The Evangelical Lutheran Church of Iceland, Diaconia Valdese (Italy), The Diaconia Centre of the Evangelical Lutheran Church of Latvia (ELCL), Diaconia of the Vilnius Evangelical Lutheran Church VILNIAUS SANDORA, Kerk in Actie (NETHERLANDS), Church of Norway, Diakonia Kosciola Ewangelicko-Augsburskiego w RP (Poland), Episcopia Reformata Din Ardeal (ROMANIA), CrossReach (SCOTLAND), Ecumenical Humanitarian Organisation (Serbia), Ecumenical Council of Churches in Slovakia, Spanish Committee of Cooperation between the Churches (CECI), ADIS: Association of Diaconia Institutions in Sweden, Church of Sweden, Diakonieverband Schweiz, Europäischer Verband Freikirchlicher Diakoniewerke (Switzerland), Federation of Swiss Protestant Churches.

**Objectives**

Eurodiaconia is an ecumenical federation of churches, non-statutory welfare organizations and NGOs in Europe operating at national and international level. Its members are rooted in Christian faith within the traditions of the Reformation as well as in the Anglican and Orthodox traditions.

They work for quality of life in a social Europe. They further renewed theological thinking about diaconia. They engage in learning processes, exchanging knowledge and service among their members across national and confessional boundaries.

**Activities**

Eurodiaconia is a platform of diaconal actors in Europe. Eurodiaconia brings together the expertise and experience of its members to be a networking body and advocating voice through position papers, seminars and dialogue with relevant actors and institutional representatives.

**Relevance for LfC network**

Lobby and exchange of information on SSGI, public procurement, PPSP.

## CARITAS EUROPA

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Rue de Pascale, 4  
1040 Brussels – Belgium

**Tel and fax**

Tel.: +32 (0)2 280 02 80  
Fax: +32 (0)2 230 16 58

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[www.caritas-europa.org](http://www.caritas-europa.org)

**E Mail**

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**Members**

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### **Objectives**

The Caritas Europa network is one of the major social actors in Europe. It collaborates with the European institutions, with Member States and with different public authorities, as well as with public and private partners around the world, including Caritas organisations in other regions.

### **Activities**

Caritas Europa and its member organisations develop policies for political advocacy at European and national levels. The organisation is strongly involved in supporting the activities of its members and of the wider Caritas International confederation.

### **Relevance for LfC network**

Lobby and exchange of information on SSGI, public procurement, PPSP.

## **PART B**

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## THE FIVE STRANDS

### 1. SOCIAL SERVICES OF GENERAL INTEREST AND STATE AID EXEMPTIONS RULES FOR SOCIAL ECONOMY ENTERPRISES

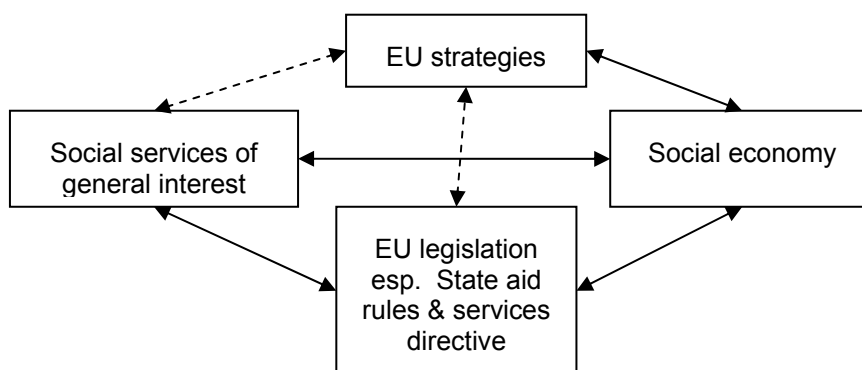
#### 1.1. TERMS OF REFERENCE

This chapter aims at paving the way in order for the “Network for better future of social economy” to perform its first activity, whose objective is “to develop a joint EU-protocol clarifying state aid exemption rules in relation to a wide range of social economy models and social inclusion measures and analyse how the different Member States have defined social services of general interest”.

Part of the present paper is also devoted to the recently adopted directive on services in the internal market (also called the “Services directive”).

As the network’s focus is put on a better mutual understanding between regional authorities in charge of managing the EU’s structural funds and social economy, the present paper will also include references to the so-called “Lisbon Programme” which partly underpins the structural fund’s management.

The aim of the present paper is to clarify the concepts of “social economy” and “social services of general interest” against the background of EU law and non-legislative processes, with illustrations taken from national situations, according to the following operating scheme:



*Figure 1 : social economy, social services of general interest and EU strategies & legislation*

In the present paper, we will first define the elements of this graph, then the relations described by the plain arrows between them.

#### 1.2. DEFINITIONS : THE FRAMEWORK

##### 1.2.1. Social economy

There is no formal definition of social economy in Europe.

Social economy can be defined from a macro and a micro perspective:

- from a macro perspective, many studies refer to social economy as a key feature of the so-called “*European social model*”<sup>1</sup> among other features which are the reference to fundamental rights and the regulatory role of the State, not the least through the design of universal protection systems and other social support schemes;
- from a micro perspective, the focus is rather put on social economy *enterprises* or *organisations* as examples of the *diversity of entrepreneurial forms* in a well-functioning economy<sup>2</sup>. From a general point of view, key requirements are :
  - private status, acting on the market from a different perspective and with specific constraints
  - priority is given to people and workers rather than to capital
  - profit-making as a means rather than as an objective
  - non-distribution constraint (profits and/or assets)
  - social objectives and/or general interest
  - self-governing body, independent from public authorities and the commercial sector
  - run according to democratic decision-making procedures (“one man-one vote”)
  - the notion of “co-production”, especially in the case of service provision where it is clear that the “user” role in the provision of the service is central.

However, those requirements are not supposed to be satisfied all together : general interest, for instance, may not be considered as a specific feature of all social economy enterprises, unless in an extended meaning of “general interest”.

Practically speaking, social economy is often defined as the set of co-operatives, mutualities or mutual societies, associations or non-profit organisations, and sometimes also foundations, which are all organisations run by “stakeholders” rather than “shareholders” – with the exception of foundations, whose management body is not accountable to another specific group<sup>3</sup>.

The main representative body of social economy enterprises in the European Union is “Social Economy Europe”<sup>4</sup>.

As a consequence of this specificity, even though social economy enterprises generally act in the market, they are not *themselves* in the market, i.e. they may normally not be bought and sold, which is a major difference with other entrepreneurial forms. This has major consequences on their “genetic” capacity to adopt a “socially responsible” behaviour : a traditional commercial company always has a limited scope to adopt socially responsible behaviours or “business models” as it involves investing long-term with the risk of being the potential target of hostile take-overs by for-profit investors looking for short-term returns on investment. On the contrary, social economy enterprises may move freely in this direction to the extent that they find the resources to do so.

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<sup>1</sup> Cfr. the European Economic and Social Committee’s own initiative opinion “*Social cohesion : fleshing out a European social model*” (6 July 2006).

<sup>2</sup> Cfr. the European Parliament “Toia” report on social economy  
<http://www.europarl.europa.eu/sides/getDoc.do?type=REPORT&reference=A6-20090015&language=EN>

<sup>3</sup> For a detailed statistical analysis of the sector, cfr. Rafael CHAVES ÁVILA & José Luis MONZÓN CAMPOS (2007), *The social economy in the European Union*, CIRIEC & European Economic and Social Committee - [http://www.eesc.europa.eu/groups/3/index\\_en.asp?id=1405GR03EN](http://www.eesc.europa.eu/groups/3/index_en.asp?id=1405GR03EN)

<sup>4</sup> <http://www.socialeconomy.eu.org/>



There are currently many debates at EU and national level on where to draw the line between different categories of social economy enterprises. “Social enterprises” are a school example of this debate as they are considered by numerous social economy activists as “improved forms of traditional enterprises” rather than genuine “social economy enterprises”. However, things are evolving, and there is a growing agreement on the necessity to define new categories of social economy enterprises such as “work integration social enterprises (WISE)” and “transition enterprises”, like it has been the case in the past for “employees owned enterprises” which are represented in the European Union by CECOP <sup>5</sup>.

From an European Union perspective, however, those “operational” approaches have to face an overarching principle which is the so-called “neutrality” of European rules with respect to entrepreneurial forms <sup>6</sup>. Like “social services of general interest”, what is under scrutiny of European authorities are *operations* rather than *operators* – hence the difficulty to have clear rules applying to social economy enterprises in Europe.

### 1.2.2. Social services of general interest (SSGI)

The notion of “social services of general interest” was first developed by the Platform of European Social NGO’s <sup>7</sup> as a subgroup of the general category of “services of general interest”.

Until the Lisbon Treaty, neither of both notions was even mentioned in EU legislation, which only included provisions related to “services of general economic interest”, particularly in article 86.2 of the Treaty establishing the European Community <sup>8</sup>.

This article opens the way to exceptions for “undertakings” “entrusted” with the operation of “services of general interest”. The notion of “entrustment” is thus a cornerstone of the whole debate on those services.

Among the main components of services of general economic interest are the so-called “network industries” such as transport, energy, and telecommunications. Specific provisions regarding those industries are justified by the fact that they are characterized by increasing returns of scale, which creates a natural tendency to monopolies. According to classical economic theory, monopolies are a possible source of inefficiency, which makes a case for public intervention.

Most regulations adopted at European level in this respect were sector-specific rather than “horizontal”.

*It is worth noting that, contrary to a current opinion, the provision of art. 86.2 does not only make a case for exempting operations from the application of State aid rules, but from all “rules contained in the Treaty”, including rules relating to the internal market. However, any qualification of “general interest” is subject to control by the European Commission and the European Court of Justice, in particular on grounds of “manifest error”. In some specific cases (cfr. infra the directive on services in the internal market), the requirement is even stronger in that it only allows for “overarching reasons of general interest”.*

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<sup>5</sup> Cfr. [www.cecop.coop](http://www.cecop.coop)

<sup>6</sup> “This Treaty shall in no way prejudice the rules in Member States governing the system of property ownership.” (art. 295 of the Treaty establishing the European Community)

<sup>7</sup> Cfr. [www.socialplatform.org](http://www.socialplatform.org)

<sup>8</sup> “Undertakings *entrusted* with the operation of *services of general economic interest* or having the character of a revenue-producing monopoly shall be subject to the rules contained in the Treaty, in particular to the rules of competition, in so far as the application of such rules does not obstruct the performance, in law or in fact, of the particular tasks assigned to them. The development of trade must not be affected to such an extent as would be contrary to the interests of the Community.

A milestone was the publication by the European Commission on 12 May 2004 of a “White paper on services of general interest”<sup>9</sup>.

According to this paper, “services” are considered as “activities provided against consideration”: however, such a counterpart does not need to be paid by the customer, user or beneficiary, but it can also be paid by a third party.

In spite – or because ? - of its apparent simplicity, this definition raises more questions than answers. However, it makes it quite clear that activities belonging to the exclusive remit of public authorities such as justice or police should not be considered as “services” in this meaning.

Against this background, the social platform advocated the recognition of “social services of general interest” with a view to recognizing that an increasing number of social services may have an economic dimension as well. This is especially the case when they have to complement public subsidies with other revenues coming from their activities, not only for budgetary reasons, but also because their users’ contribution to their operating costs may be a way of empowering users and enhancing efficiency.

Another important contribution of the social platform was the emphasis that most features of social services were equally valid for other related services such as health care services, education and culture.

This initiative of the social platform obviously contributed to the publication by the European Commission on 26 April 2006 of another paper “*Implementing the Community Lisbon programme : social services of general interest in the European Union*”<sup>10</sup>.

According to this second paper, social services of general interest are defined as:

- *statutory and complementary social security schemes, organised in various ways (mutual or occupational organisations), covering the main risks of life, such as those linked to health, ageing, occupational accidents, unemployment, retirement and disability;*
- *other essential services provided directly to the person.*

Unfortunately, it appears that this definition seems to have contributed to a major misunderstanding :

- statutory and complementary social security *schemes* should generally not be considered as “services” in the “European” meaning of the term as such, as they go beyond mere “activities” and are frequently not provided “against consideration”.
- “*other essential services provided directly to the person*” may indeed be considered, in an increasing number of cases, as having an economic dimension, whatever their other specificities ; but this category may in no way limit the scope of what is meant by “social services of general interest” : other “non-personal services” such as bank accounts with universal access could be considered as social services as well.

However, one should welcome this contribution of the European Commission as a step forward, not least to the extent that it has pointed out important specificities of “social services”, such as their reference to fundamental rights and their “asymmetric” nature.

In addition to this, the European Commission has always persisted in its conviction that health services, education and culture should not be considered as social services, in spite of the fact that they share the same main features. The numerous concerns against this

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<sup>9</sup> COM(2004) 374 final – cfr. [http://eur-lex.europa.eu/LexUriServ/site/en/com/2004/com2004\\_0374en01.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/com/2004/com2004_0374en01.pdf)

<sup>10</sup> COM (2006) 177 final – cfr. [http://ec.europa.eu/employment\\_social/social\\_protection/docs/com\\_2006\\_177\\_en.pdf](http://ec.europa.eu/employment_social/social_protection/docs/com_2006_177_en.pdf)

exclusion of health services have been underpinned in a major study <sup>11</sup> commissioned by the European Commission from a research consortium. Surprisingly enough, this dissenting report was eventually acknowledged by the European Commission in its 2006 feed-back report to the questionnaire of the social protection committee<sup>12</sup>...

Because of this confusion, some important players such as EPSU, the European Public Services Union, oppose the very notion of “social services of general interest” and advocate rather “public services”. However, this would replace a misunderstanding by another : “public services” are indeed referring to the status of the provider rather than to the nature of the service. Therefore, it is better not to throw out the baby with the bath water and to strive rather towards a better definition of “social services of general interest”, i.e. social and health services generally *implementing* social security or other protection schemes, without disregarding services provided in the field of education and culture.

During the last two years, the debate on social services of general interest has moved to a more specific debate on the *quality of services*. The Social Protection Committee (SPC) has created a subgroup on this issue, and studies have been commissioned by the European Commission in order to consider potential improvements in this respect. One of those studies closely involves the European standardization centre (CEN – Centre européen de normalisation) with a view to adopting a so-called “workshop agreement” with reference to existing tools such as the EQUASS quality assurance system.

Finally, a possible key for understanding the main differences between commercial services, services of general interest and social services of general interest is to be found in the importance given to their main “target”, who is always simultaneously a customer/consumer, a user and a citizen :

- A customer/consumer, to the extent that as a beneficiary, (s)he is entitled to enjoy most rights generally related to the provision of goods and services ;
- A user, to the extent that his individual rights may be at the same time limited and complemented by other rights specific to the very existence of a “general interest” ;
- A citizen, to the extent that a collective dimension is always present in service provision, especially when fundamental rights are at stake.

These three dimensions are present in any kind of service provision, albeit to different extents. This may be summarized in the following figure :

	<i>Commercial services</i>	<i>Services of general interest</i>	<i>Social services of general interest</i>
<i>Customer/consumer</i>	+++	++	+
<i>User</i>	+	+++	++
<i>Citizen</i>	+	++	+++

Figure 2 : Relative importance of the point of view of the customer/consumer, user and citizen in commercial services, services of general interest, social services of general interest

<sup>11</sup> Cfr. Manfred HUBER, Mathias MAUCHER, Barbara SAK (2006) “*Study on social and health services of general interest – Final synthesis report*”, European Center for social policy, ISS and CIRIEC eds.

<sup>12</sup> [http://ec.europa.eu/employment\\_social/social\\_protection/docs/feedback\\_report\\_en.pdf](http://ec.europa.eu/employment_social/social_protection/docs/feedback_report_en.pdf)

### 1.2.3. The EU regulatory framework

The EU regulatory framework encompasses two main “layers”:

- primary law, i.e. Treaties<sup>13</sup>, particularly the Lisbon Treaty<sup>14</sup> which has recently entered into force. Two main fields dealt with by primary law are internal market, on the one hand, and competition law, on the other hand. Public procurement rules and state aid rules have to abide by both while also taking into account exemptions related to the abovementioned “general interest” ;
- “secondary” or “derived” law among which a major piece is the directive on services in the internal market.

Recently, the European Commission has devoted a lot of energy and resources to clarifying the legal regime applicable to (social) services of general interest, especially with respect to State aid and public procurement rules.

In particular, it has developed the so-called “interactive information tool” under the form of “Frequently asked questions”<sup>15</sup>. This initiative has been received with disappointment by several representatives of the social sector for at least two reasons:

- this tool does not provide legal certainty as it does not bind the European Commission nor the Court of Justice ;
- what was expected was rather a step forward providing evidence that general interest was indeed given a priority when it comes to applying Community law.

However, the Lisbon Treaty is likely to bring about some important changes regarding the legal treatment of services of general interest:

For the first time, they will be explicitly recognised in primary legislation under the form of a protocol on “services of general interest” annexed to the Treaty. Furthermore, this protocol, which has the same legal value as the Treaty itself, also mentions for the first time “non-economic services of general interest” :

#### *PROTOCOL ON SERVICES OF GENERAL INTEREST*

##### *Article 1*

*The shared values of the Union in respect of services of general economic interest within the meaning of Article 16 of the Treaty on the Functioning of the European Union include in particular:*

- *the essential role and the wide discretion of national, regional and local authorities in providing, commissioning and organising services of general economic interest as closely as possible to the needs of the users;*
- *the diversity between various services of general economic interest and the differences in the needs and preferences of users that may result from different geographical, social or cultural situations;*
- *a high level of quality, safety and affordability, equal treatment and the promotion of universal access and of user rights.*

##### *Article 2*

*The provisions of the Treaties do not affect in any way the competence of Member States to provide, commission and organise **non-economic services of general interest.***

<sup>13</sup> <http://eur-lex.europa.eu/en/treaties/index.htm>

<sup>14</sup> <http://eur-lex.europa.eu/JOHtml.do?uri=OJ:C:2007:306:SOM:EN:HTML>

<sup>15</sup> [http://ec.europa.eu/competition/state\\_aid/legislation/faq\\_sieg\\_en.pdf](http://ec.europa.eu/competition/state_aid/legislation/faq_sieg_en.pdf)

Though this evolution is welcomed by many as an important step forward towards a better recognition of services of general interest beyond “network industries”, it should be highlighted that this new protocol also contributes to blurring the cards : apart from the title, services of general interest are not even mentioned in it, a situation which some might interpret as recognizing that services of general interest is a set of two categories :

- Services of general economic interest
- Non-economic services of general interest

Unfortunately, by mentioning this new notion of “non-economic services of general interest”, the Lisbon Treaty enlarges the notion of “services of general interest” to such an extent that it might not be possible anymore to clarify the rules applicable to such services. Furthermore, it favours an interpretation according to which social services of general interest may be either services of general economic interest or non-economic services, which makes little sense since the very notion of “social services of general interest” was meant to refer to services which are both of a social *and* of an economic nature.

Such a “polarisation” is a threat for many social economy enterprises, as is illustrated by the Finnish case :

In Finland, like in most European countries, non-profit organisations account for the major part of social economy enterprises. However, a large part of their income used to come from the national lottery.

Recently, the Finnish national lottery decided to stop the grants to social economy enterprises whose incomes were also coming from market activities. This decision has obliged those enterprises to split their activities into a “commercial part”, on the one hand, and a “non-profit part” on the second hand, with the risk that the “commercial” part of them is not anymore subject to the specific constraints linked to their nature of social economy enterprises.

*Country case 1 : Finland*

The second major change brought about by the Treaty on the functioning of the European Union is its article 14 (ex article 16) which states that :

*Without prejudice to Article 4 of the Treaty on European Union or to Articles 93, 106 and 107 of this Treaty, and given the place occupied by services of general economic interest in the shared values of the Union as well as their role in promoting social and territorial cohesion, the Union and the Member States, each within their respective powers and within the scope of application of the Treaties, shall take care that such services operate on the basis of principles and conditions, particularly economic and financial conditions, which enable them to fulfil their missions. The European Parliament and the Council, acting by means of regulations in accordance with the ordinary legislative procedure, shall establish these principles and set these conditions without prejudice to the competence of Member States, in compliance with the Treaties, to provide, to commission and to fund such services.*

This is a significant change as compared to the previous situation, where the European Commission generally considered it was not sure there was a legal basis for a “horizontal” or “framework” legislation on services of general interest – and even if there was one, it was not sure such an initiative was justified.

With the new provisions, not only is it clear that there is a legal basis, but the text even urges “The European Parliament and the Council” to “establish the principles and set [the] conditions” which will enable the services to “fulfil their missions”.

However, it is not sure this apparent step forward will make things easier since a Regulation is a much more difficult tool to adopt than a directive, as it is of direct application in all

Member States, while a directive has to be transposed, thus leaving more room for ad-hoc implementation.

#### 1.2.4. EU strategies – the Lisbon Strategy

Aside from legislation, the EU also has other means of achieving its goals. Among the main ones is the so-called “Lisbon Strategy” adopted in 2000 to make Europe by 2010

*“the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth, with more and better jobs and greater social cohesion”.*

Those objectives were complemented one year later in Göteborg with others related to environment.

In 2005, the newly elected Commission revised the Lisbon strategy and decided to focus on “growth and jobs”. This new strategy was “mainstreamed” in other policies including regional development – therefore its importance for structural funds.

The Lisbon Strategy includes non-legislative methods such as the “Open Method of Coordination” (OMC) which consists in Member States adopting plans according to a framework agreed at EU level, then reporting on the implementation of those plans.

The Open Method of Coordination is used in a number of respects, the two main ones being :

- employment and growth, with the so-called “National Reform Programs” consisting of three chapters : macroeconomic, microeconomic and employment ;
- social protection and social inclusion, with the “National Strategy Reports for social protection and social inclusion” also consisting of three chapters : “national action plan”, “pensions”, “health and long-term care”.

Whatever the consequences of the 2005 reform are, there has been considerable progress towards some of the objectives set for 2010, in particular in terms of employment rate. However, the economic crisis has offset to a large extent some of its main achievements.

Presently, the main debate focuses around the “post-Lisbon” or “EU 2020” strategy, which is the subject of a large consultation organized by the European Commission<sup>16</sup>. Civil society and social economy organisations have already contributed to a large extent to shaping the new strategy with their “Spring alliance manifesto”<sup>17</sup>.

One of the main challenges for the “post-Lisbon” Strategy lies in the way it will ensure coherence across its two main strands, i.e. its “social” and its “economic” dimension.

When the Lisbon Strategy was revised in 2005, the European Commission insisted on the necessity for its social “leg” to “feed in” the “growth and jobs” strategy.

Conversely, several voices also insisted on the necessity for the “growth and jobs” strategy to “feed out” the social protection and social inclusion strategy<sup>18</sup> – but the balance has always remained far from being reached in this respect...

Of particular importance therefore are the strategies for employment.

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<sup>16</sup> [http://ec.europa.eu/eu2020/pdf/eu2020\\_en.pdf](http://ec.europa.eu/eu2020/pdf/eu2020_en.pdf)

<sup>17</sup> [http://www.springalliance.eu/images/sa\\_manen.pdf-Manifesto---final.pdf](http://www.springalliance.eu/images/sa_manen.pdf-Manifesto---final.pdf)

<sup>18</sup> Cfr. Hugh FRAZER and Eric MARLIER, “Feeding in” and “feeding out”: The extent of synergies between growth and jobs policies and social inclusion policies across the EU - Key lessons. Synthesis Report of the national independent experts on social inclusion”, 25 February 2008.



As one of the main strand of the “growth and jobs” strategy, they have been subject to several approaches among which the “Active Labour Market Policies” (ALMP) and the “flexicurity” principles.

Parallel to those approaches, the European Commission also launched a consultation in 2007 on *active inclusion*<sup>19</sup>. In contrast to the previous approaches, active inclusion aims at considering employment as a means towards social cohesion rather than as an end in itself. In order to do so, this strategy complements access to employment with the following two additional policy priorities :

- Better access to quality services
- “Income support sufficient to avoid social exclusion”

This strategy is of major importance for social economy enterprises :

- Work insertion social enterprises are instrumental in securing the link with the labour market
- Social economy enterprises providing services are likely to play a key role in guaranteeing access without discrimination to their potential users.

Social economy enterprises have therefore to be aware of these important policy orientations when dealing with their national authorities in the framework of the structural funds.

### **1.3. SOCIAL ECONOMY AND SOCIAL SERVICES OF GENERAL INTEREST**

Even though there are numerous connections between both notions, they should not be confused :

- on the one hand, services of general interest may also be provided by public bodies, which are generally not considered as being part of social economy ;
- on the other hand, an important number of social economy enterprises provides goods and services which may not be specifically considered as “services of general interest” (e.g. consumers cooperatives, ...).

However, social economy enterprises are also key players when it comes to providing social services of general interest. In many countries, they may account for up to half the “capacity” of social service provision.

Therefore, it is legitimate to recognize that social economy enterprises possess a specific knowledge and expertise in this field.

This expertise derives from one of the major features of social economy enterprises, which is the “co-production” approach already mentioned.

This approach consists in a specific interaction between the provider and the user, where both are considered as actors in the service delivery process. This vision is based on the “asymmetric” nature of the relation, where both provider and user have a specific information and knowledge which has to be “mobilised” in order to reach the expected results.

When it comes to social services, a major feature of this approach consists in building the service on the skills of the user rather than as a mere answer to his or her deficiencies.

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<sup>19</sup> COM (2007) 620 final “*Modernising social protection for greater social justice and economic cohesion: taking forward the active inclusion of people furthest from the labour market*” – cfr. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2007:0620:FIN:EN:PDF>



As an illustration of the relationship between social economy and social services of general interest, one could mention the situation of Italian social cooperatives, which have been created as an answer to the need of developing the provision of services, including social services, through independent and non-commercial organisations.

*Country case 2 : Italy*

#### **1.4. SOCIAL SERVICES OF GENERAL INTEREST, SOCIAL ECONOMY AND EU LEGISLATION**

After having reviewed the different elements and relations of the analytical model presented in the beginning of the present paper, the time has come to analyse the way social economy enterprises may fulfil their missions in line with the European rules, in particular the rules related to State aid.

First of all, it should be stressed again that EU legislation, like in any other law system, has different levels:

- First, the general principles, most of which are expressed in the Treaties ;
- Then derived law (directives and regulations), which are always second to those principles and to the Treaties ;
- Finally, there is a series of rules and decisions, which may be of a mere administrative nature.

Among the first category are general principles and rules linked to non-discrimination, namely on ground of nationality. Whatever exceptions or exemptions may be introduced by derived law, exceptions or exemptions to such principles are only possible under very strict conditions.

Possible grounds for exemptions are:

- The proportionality principle, which states that exceptions are justified provided there are valid reasons for deciding otherwise ;
- The subsidiarity principle, which states that decisions have to be taken at the most appropriate level.

In order to comply with those principles, two main fields of legislation have been developed at European level with a view to clarifying under which conditions a contract with or a support from a public authority is considered valid:

- Public procurement rules
- State aid rules.

As far as public procurement rules are concerned, a possible way for social economy enterprises to see their specificities recognised are *social* or *environmental clauses*.

Such clauses aim at restricting the number of potential applicants to those who comply with the requirements included in the call for tender.

However, in spite of the potential interest of such clauses, it should be kept in mind that they have to abide by the general principles mentioned above.

Furthermore, this route also has its limits to the extent that such clauses may prove burdensome or involve important operating costs.

Finally, they are currently under pressure from the “better regulation” agenda which proves to be too often hides behind the necessity of “cutting red tape” to promote de-regulation rather than “better” regulation.

The European Commission has undertaken a consultation of this issue in 2008 and should make its views known in the near future.

Another possible route are the State aid rules, among which the well-known “Monti-Kroes” package which clarifies the conditions under which State aid is considered as being in conformity with EU rules.

In spite of all efforts made to adapt European rules to the national or local specificities, an increasing number of court cases show that much remains to be done in this respect.

Two possible illustrations of this situation may be found in Germany and Luxembourg :

In Germany, a private company lodged a complaint for unfair competition against “AWO-SANO”, a non-profit holiday home for families including families with social difficulties.

The European Commission decided the complaint was not grounded for a series of reasons under which the fact that this home had made losses during the previous years.

By doing so, the Commission has acknowledged the “index method” already advocated by Social Economy Europe. This method consists in examining a set of criteria according to which specific situations may be considered as conform to the European rules. Yet, it remains unclear whether the decision in the “AWO-SANO” would have been different if some circumstances had changed – namely, if it had balanced its accounts rather than incurring losses...

*Country case 3 : Germany*

In Luxembourg, a non-profit “WISE” (Work insertion social enterprise) won a tender call aiming at cleaning highways. A private undertaking challenged the contract on the ground that such an activity could not be undertaken by a non-profit organisation. For reasons mainly due to the domestic legal system of Luxembourg, the Court agreed with the plaintiff and declared the contract with the non-profit organisation void.

*Country case 4 : Luxembourg*

Those cases show that the room for improving the situation of social economy enterprises within the present legal context is rather limited. It is therefore doubtful whether such improvements can be achieved mainly by enhancing legal certainty. In many cases, the situation is clear enough ; what is needed is rather a more explicit legal recognition of some of the features through which social economy enterprises contribute to citizenship and to social cohesion in addition to their contribution to economic performance.

### **1.5. THE DIRECTIVE ON SERVICES IN THE INTERNAL MARKET AND ITS IMPACT ON SOCIAL ECONOMY ENTERPRISES**

Before concluding, some attention should be devoted to an evolution which is not directly linked to the main issue addressed by the present paper, but which may be relevant in a number of respects: the directive on services in the internal market.

This directive aims at completing the internal market in the field of services by removing a series of obstacles hindering the free movement of services.

The original draft, called “Bolkestein directive” after the name of the then Commissioner in charge of internal market, included three chapters:

- Freedom of establishment for providers
- Free movement of services
- Free movement of patients.

It also aimed at generalizing the so-called “*country of origin*” principle according to which any service provider fulfilling the requirements in his country of origin should be entitled to provide its services in all other countries of the European Union.

The original draft raised a lot of opposition from civil society organisations, trade unions and academics. It was then deeply modified through converting “country of origin” into “country of destination”, the chapter on the free movement of patients being transferred to another directive. The new version was eventually adopted by the Parliament at the end of 2007.

All Member States are supposed to have transposed this directive into internal law by the end of 2009. The directive also includes provisions aiming at a “mutual evaluation” of its application by the Member States. This process is meant to start in 2010<sup>20</sup>.

This directive makes a distinction between prohibited requirements and requirements “subject to evaluation”. Authorization schemes and quantitative restrictions belong to the second category.

The directive also includes an exception for “social services relating to social housing, childcare and support of families and persons permanently or temporarily in need which are provided by the State, by providers mandated by the State or by charities recognized as such by the State”.

This exception is likely to raise complex debates to the extent that depending on the linguistic version of the directive, it has a different content in each Member State.

Furthermore, two new concepts appear in complement to the existing notion of “entrustment” already mentioned about services of general economic interest : “mandated” and “recognized”.

From a Parliamentary question, it appears that the notion of “mandate” in the context of the services directive does not fully match with the same notion when applied in the context of State aid rules.

But the main point is probably that by overlooking the specificities of social economy enterprises, which are not even mentioned in the directive, the latter pushes again towards the polarization already described between public and private enterprises, social economy organizations being “squeezed” or torn between both.

Like in the Finnish case already mentioned, the “services directive” forces them to choose between engaging fully along the lines of a pure “market logic”, on the one hand, or defining themselves as mere “operators” acting on behalf of public authorities, on the other hand, which does not make justice to their specificity.

## **1.6. CONCLUSIONS AND RECOMMENDATIONS**

### **1.6.1. The policy context**

When comparing the present situation of social economy enterprises in the European Union with the situation 20 years ago, one can hardly speak of an improvement.

At that time, the European Commission made decisive steps, not the least by creating a specific Unit within directorate general XXIII for social economy as well as a “Consultative committee of Cooperatives, Mutuals, Associations and Foundations”, which gradually lost its relevance and eventually became a fully independent structure of social economy enterprises under the acronym “CEP-CMAF” for “Conférence européenne permanente des

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<sup>20</sup> For a permanent update of the transposition process, cfr. [http://ec.europa.eu/internal\\_market/services/services-dir/news\\_en.htm](http://ec.europa.eu/internal_market/services/services-dir/news_en.htm)

coopératives, mutuelles, associations et foundation”<sup>21</sup>, the predecessor of “Social Economy Europe”.

At present, even though some human and budgetary resources are still devoted to social economy, mainly within DG Enterprise, through civil dialogue structures in the other Directorates general and, finally, within the European Economic and Social Committee, the European Commission gives ever more the impression that social economy enterprises are like Unidentified Flying Objects (UFO’s) in the European sky.

In order to unleash their potential, a global approach is needed.

Such an approach includes the *recognition of an European statute for all forms of social enterprises*, as advocated by the “Toia” report already mentioned. Although this step has been made for cooperatives, this is not yet the case for the other forms. On the contrary, new European statutes are presently being granted to old forms of for-profit enterprises such as small and medium enterprises, considering those forms could also be adopted by social economy enterprises, which is not the case.

However, such a recognition would not solve all issues. In particular, much remains to be done in other issues such as State aid or public procurement rules, but also in related fields such as Public-Private Partnerships (PPP’s), internal market rules or tax law.

Another strand of work lies in the *improvement of the rules applying to services of general interest*. As we have seen, the Lisbon Treaty has made the situation more complex, with the risk that an agreement is even less likely to be reached in a situation where interpretations are so different.

Finally, as regards State aid rules, *social economy enterprises should be aware of the risk of “ruling by exemptions”* such as the “*de minimis*” rule or other types of block exemptions: exemptions are indeed always interpreted in the narrow sense and are very often of a temporary nature.

Social economy enterprises have to advocate the right to be recognized in their own right, while keeping in mind that they will only succeed in doing so if they are able to clearly identify the kind of “benefit” or “value added” they are able to bring about.

The recent study commissioned from the French Government to Joseph Stiglitz & Amartya Sen, Nobel prize-winners in economics, and Jean-Paul Fitoussi<sup>22</sup>, opens a perspective in this respect, as well as the work done in the European Union and in other international organizations on alternative measurement methods “beyond GDP”<sup>23</sup>.

This all has consequences in terms of research orientations.

### 1.6.2. Research orientations

As the present analysis has shown, a global view is needed in any effort aiming at improving the situation of social economy enterprises in the European Union.

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<sup>21</sup> Cfr. Marcel HIPSZMAN, *La prise en compte de l’économie sociale française dans les institutions européennes*, ESFIN-IDES paper, 19 November 2003 - see <http://www.esfin-ides.com/esfin-anciensite/pages/publications/PriseEnCompteES.pdf>

<sup>22</sup> Joseph STIGLITZ, Amartya SEN & Jean-Paul FITOUSSI (2009), *Rapport de la Commission sur la mesure des performances économiques et du progrès social* - [http://www.stiglitz-sen-fitoussi.fr/documents/rapport\\_francais.pdf](http://www.stiglitz-sen-fitoussi.fr/documents/rapport_francais.pdf)

<sup>23</sup> <http://www.beyond-gdp.eu/links.html> as well as the Communication from the European Commission COM(2009) 433 final of 20/08/2009 « *Beyond GDP – Measuring progress in a changing world* » (<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2009:0433:FIN:EN:PDF>)

Even though much remains to be done in terms of policy coordination across the different Directorates of the European Commission, change proposals in a specific field have little chance of being accepted if they are not in coherence with other more or less directly related fields.

Therefore, a first possibility would be to identify the solutions adopted in the Member States concerning some main issues identified in the present paper, i.e. :

- Social clauses in public procurement
- State aid rules
- Public-private partnerships
- Services directive

Another possible route would be to exchange information across sectors (work integration, social and health services, social housing, social banks) in order to foster the adoption of “good practices” in the different activity fields.

The route of satellite accounts offers also interesting perspectives for a better taking into account of some specific outputs of social economy enterprises. Such accounts are already adopted in some member States and are fully in line with the Stiglitz study already mentioned.

Finally, although a more fundamental policy work is needed on those issues, using the already mentioned “interactive information tool” is a possible means of engaging with the European Commission on the needs of social economy enterprises with respect to EU’s decision making.

## 2. SOCIAL ADDED VALUE AND QUALITY STANDARDS

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### 2.1. CONTEXT – CONCEPTS AND DEFINITIONS

#### 2.1.1. Why measuring social value is important

Social economy organisations exist to deliver value that is not recognised in existing markets predominantly because people are excluded from those markets. This could be, for example, because they are unemployed or because they incur costs as a result of other people's activity. This means that price is not always a good approximation of value and that measuring this wider source of value is part of the solution to reducing exclusion.

For social economy organisations there are more immediate reasons for measuring the value they create. A common starting point is to be able to provide evidence of the value of their work, evidence to convince funders and investors to provide the financial support that is inevitably necessary where there is market failure. Potentially this evidence would also extend to providing information to those people that the organisations are supporting on how effective the support has been and is expected to be.

For investors and commissioners, especially those that are investing in social impact or services that lead to changes in people lives, measuring the value will be critical in order to assess success and, since these sources of financial support will also be accountable to others, in order to evidence the effectiveness of the funding or the service delivery. For commissioners, an understanding of how social economy organisations create value and the nature of that value will allow an assessment of what is available within the market prior to commissioning goods and services. It may then be possible to develop the specifications in order to include additional outcomes.

For organisations with a social purpose measurement can:

- provide clarity over the value that is being created to help promote the work of the organisation and attract funding from investors interested in social value.
- provide the basic information necessary to be able to communicate with funders, investors and commissioners. Increasingly general statements of the social value are not adequate and investors want to have information on how much value will be created. This also avoids misunderstandings between what social economy organisations and investors may mean when they talk about social value. Especially in respect of commissioners, measuring social value allows an organisation to consider which components of that value either are or could be relevant.
- mean that budgeted or forecast value can be compared with actual performance and an analysis and discussion of the results should help improve services. It will also allow an assessment of what additional value would arise from changing services or introducing new services. Often the process of starting to measure value will highlight gaps in the information being collected.
- ensure focus on the value of outcomes rather than outputs. Focusing on outcomes allows the organisation to focus on its stakeholders, especially as this will mean involving stakeholders more effectively in understanding value and ensuring that services are relevant to needs and expectations.
- help identify other ways in which customers' existing or wider requirements can be met, especially for those social economy organisations that operate in competitive markets. Whilst organisations may be delivering an existing service, it may realise that some of the value it creates meets other targets that the customer wants to achieve. If these targets are the responsibility of the same department that is currently buying services it will be

easier to discuss how this value can be included in future commissioning processes, especially as the organisation will be able to show that it can measure the value.

### **2.1.2. But what is social value?**

The Polish report set out a definition of social added value that is not uncommon 'an additional profit generated by the social enterprise following from its commercial activity'. Whilst not uncommon there are a wide number of different definitions of social added value and a number of related terms which are used almost interchangeably the main ones being *social value*, *added value* and *social impact*.

*Social value* is often used to refer to the social impact that results from an organisation's activities.

*Social impact* is often used to refer to the impact on those people affected by the work of a social economy organisation.

*Impact* is often used to refer to the benefits gained by the same people.

*Benefits* are often used to refer to the removal of a problem or issue faced by those people that the social economy organisation was set up to resolve.

*Added value*, although sometimes used synonymously, is slightly different. From the perspective of a social economy organisation it is often used to refer to the added value created by a social economy organisation, compared to other forms of organisation, resulting from the different way in which the organisation is governed or owned and/or the different primary purpose of that organisation. From the perspective of public commissioners this sense of added value is problematic since, by definition, it cannot be taken into account in deciding between tenders unless it is included in published award criteria. When added value relate to the difference in value compared to other forms of organisation, evidence of the value requires information from both social economy organisations and the other organisation forms with which it is being compared.

*Social value* is often shorthand for social and environmental value, for some, and for social environmental and economic value for others. Economic value is not the same as financial value but is the value of economic impact of an activity not captured in price paid for that activity. Others have also referred to cultural value as a further classification. There is no clear agreement on how value is allocated to these two, three or four types.

However defined any discussion of value will need some specific ways of measuring value through *indicators*. Indicators provide an indication that the value has been created and allow the amount of value to be measured, in other words an indicator can be preceded by a number. However there is potential for confusion where value is being used to describe different things, for example outputs or outcomes. There are indicators for outputs and indicators for outcomes as well as indicators for the quality of service delivery.

*Outputs* can be defined as a way of describing an activity and *outcomes* can be defined as a description of what changes as a result of the activity. However there are other definitions of these terms and people may describe value in relation to indicators of either outputs or outcomes. Indicators should be 'SMART' – Specific, Measurable, Achievable, Relevant and Time-bound.

In its broadest sense, activities create and destroy value. Some of this value will be included within a market price and some may not. The value that has not been captured is sometimes described as social value, but there is a danger as this then treats as not 'social' the value that people clearly gain when they make purchases. Value could be analysed as social, environmental or economic although there is not a consistent method for undertaking this subsequent analysis. The term 'Added value' should only be used when it is clearly stated to what the value is being added. Consequently it is possible but not necessary for social value and added value to refer to the same value.



In conclusion social value would be the value of the outcomes resulting from an activity, some of which value may be included in a price and some not, and some of which may be created as a result of particular forms of organisation.

## 2.2. HISTORICAL OVERVIEW OF ACTIONS ALREADY TAKEN

Tools for assessing social added value and quality may take a number of approaches:

1. They may seek to identify and improve **processes** that lead to quality (e.g. EFQM, ISO)
2. They may seek to measure **impacts** (e.g. social auditing)
3. They may go a step further and seek to **quantify** certain impacts (e.g. LM3 measures the local economic benefits of an item of expenditure)
4. They may seek to **measure quantify and value** impacts (e.g. SROI)

Many different approaches have been taken in various countries, and transnational awareness and exchange took a leap forward during the EQUAL initiative.

The best overview that is available of the wide range of tools that is available for assessing social added value and quality was created during EQUAL by the new economics foundation in the UK. Although there have been developments since then, it has not been possible to complete a new survey of all of these developments and this overview is used here. The *Proving & Improving* toolkit<sup>24</sup> includes a classification of tools into four categories:

- *holistic accounting and reporting tools* – such as Social Return on Investment (SROI)
- *measures of impact and performance* – such as the Key Social and Co-operative Economic and Social Performance Indicators (CESPIs) and Local Multiplier 3 (LM3)
- *quality/performance improvement systems* – such as the Development Trusts Association (DTA) healthcheck, the European Foundation for Quality Management (EFQM) excellence model, the Eco-Management and Audit Scheme (EMAS), Investors in People (IIP), the ISO 9000 and 14000 series and the Practical Quality Assurance System for Small Organisations (PQASSO)
- *strategic management tools* – such as the social enterprise balanced scorecard.

The remainder of this section follows this classification and covers some of the tools referred to but in addition includes quality standards and brands.

### 2.2.1. Holistic accounting and reporting tools

#### 2.2.1.1. Social return on investment (SROI)

Social return on investment (SROI) is a technique for capturing in a more holistic way the various types of impact arising from activities. The process of calculating the social return on investment starts with carefully considering who the key stakeholders are, the changes they experience as a result of the activity, the indicators and values of those changes. This process results in an 'impact map' which shows how its activity converts inputs such as funding into outcomes of various types for various stakeholders. These impacts can then be valued using financial proxies, and presented in the form of multi-year projections. From this one can use standard accounting tools to calculate a discounted cash flow, and the net present value (NPV) of the investment.<sup>25</sup>

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<sup>24</sup> See case study at [http://ec.europa.eu/employment\\_social/equal/data/document/200604-se-etg2-t1an.pdf](http://ec.europa.eu/employment_social/equal/data/document/200604-se-etg2-t1an.pdf) and product fiche at [http://ec.europa.eu/employment\\_social/equal/products/prod001\\_en.cfm](http://ec.europa.eu/employment_social/equal/products/prod001_en.cfm). The toolkit is downloadable from <http://www.proveandimprove.org>.

<sup>25</sup> The final figure is the result of a process of applying the principles which will require judgements on such issues as attribution, deadweight, the sensitivity of result to changes in assumptions and the discount rate.

During EQUAL, use of the technique grew steadily. Three British regions as well as the Dutch EQUAL programme are using this tool, with the important effect of lengthening planning horizons.<sup>26</sup> Social Firms UK, which has carried out a number of SROI analyses on enterprises such as MillRace IT,<sup>27</sup> Pack-IT<sup>28</sup> and Six St Mary's Place,<sup>29</sup> reports returns on investment of between twofold and eightfold – per year.<sup>30</sup> These come about because the fact that their beneficiaries are working rather than being inactive results in increased tax revenue as well as reduced public spending on social security benefits and healthcare.<sup>31</sup> In Bristol, such a calculation is used as part of an EQUAL project to assess the benefits of transferring public assets such as land and property to social enterprises.<sup>32</sup>

EQUAL has also supported to use of the SROI method in Austria, where the Chance B Hausmeisters project was found to generate a public profit of nearly €200,000.<sup>33</sup>

Since the toolkit mentioned above, nef has expanded its work on SROI and undertook an 18-month research programme called *Measuring What Matters* which found that current approaches to measurement focus too much on outputs and processes, and on funded inputs as drivers of change. They lack benchmarks and misunderstand impacts, so they measure the wrong things. A more holistic approach might take into account other factors that impact on business, such as transport links, perceptions of the area, crime and changes in informal activity.

The *European Social Return on Investment Network (ESROIN)*<sup>34</sup> was set up to spread this method, but has passed the baton to the more recently established *SROI Network*.<sup>35</sup> This is based in the UK but has a European and worldwide membership. Amongst other activities it is currently carrying out two large projects with other partners, one, the *SROI Project*,<sup>36</sup> commissioned by the Scottish government and another, *Measuring Social Value*, by the UK government.

The SROI Network supports the development of a more consistent approach to SROI based on seven principles and has recently launched a new Guide to SROI<sup>37</sup> as well as supplements for investors and commissioners. These principles are:

- Involve stakeholders – inform what gets measured and how this is measured and valued by involving stakeholders.

<sup>26</sup> See [www.thesroinetwork.org](http://www.thesroinetwork.org) for the Guide to SROI

<sup>27</sup> MillRace IT employs people recovering from mental illness in the recycling of computers, and produces a return to society of €7.4 each year for every euro invested.

<sup>28</sup> Pack-IT, a distribution firm half of whose 16 employees have a learning disability, shows an SROI of 1.9:1. The benefits include reduced welfare spending and increased local purchasing.

<sup>29</sup> Six Mary's Place guest house, a social firm in Edinburgh that employs people with mental health problems, shows average savings of €37,000 a year per head – a sixfold social return. The study was carried out as part of the EQUAL Social Economy Scotland project (UKgb-155) – see <https://webgate.ec.europa.eu/equal/jsp/dpComplete.jsp?cip=UKgb&national=155>.

<sup>30</sup> See <http://www.socialfirms.co.uk/index.php/Section143.html>. SFUK took part in the Social Enterprise Partnership project (UKgb-59) [www.sepgb.co.uk](http://www.sepgb.co.uk). The studies are published as part of *Measuring Real Value: a DIY guide to social return on investment*, by Jeremy Nicholls, Susan Mackenzie and Alibeth Somers, NEF, London, 2007, ISBN 978-1-904882-22-0, free of charge, downloadable from [www.neweconomics.org.uk](http://www.neweconomics.org.uk)

<sup>31</sup> According to the UK government: "Adults with mental health problems are one of the most excluded groups in society. Although many want to work, fewer than a quarter actually do. ... Mental health problems are estimated to cost the country over £77 billion [€115 bn] a year through the costs of care, economic losses and premature death." – *Mental Health and Social Exclusion*, Social Exclusion Unit, Office of the Deputy Prime Minister, June 2004.

<sup>32</sup> C3 – A Credible, Competitive and Confident Social Economy (UKgb-147) <https://webgate.ec.europa.eu/equal/jsp/dpComplete.jsp?cip=UKgb&national=147>

<sup>33</sup> Part of the Public Social Private Partnership project AT-3B-18/314). See <http://www.exchange2improve.com/social-return-on-investment-sroi-experiences-austria>

<sup>34</sup> <http://www.sroi-europe.org>

<sup>35</sup> <http://www.thesroinetwork.org>

<sup>36</sup> <http://www.sroiproject.org.uk/>

<sup>37</sup> available from [www.thesroinetwork.org](http://www.thesroinetwork.org)

- Understand what changes – articulate how change is created and evaluate this through evidence gathered recognising positive and negative changes as well as those that are intended and unintended.
- Only include what is material – determine what information and evidence must be included in the accounts to give a true and fair picture such that stakeholders can draw reasonable conclusions about impact.
- Value what matters – use financial proxies in order that the value of the outcomes can be recognised. Many outcomes are not traded in markets and as a result their value is not recognised.
- Do not overclaim – only claim the value that organisations are responsible for creating.
- Be transparent – demonstrate the basis on which the analysis may be considered accurate and honest and show that it will be reported to and discussed with stakeholders.
- Verify the result – ensure appropriate independent assurance.

### 2.2.1.2. Social-economic reporting

The sheer cost-effectiveness of social firms in creating jobs for people especially far from the labour market is dramatically demonstrated by the **social-economic reporting** method developed in Sweden and piloted with some EQUAL projects under the guidance of the EQUAL National Thematic Network *Social Entrepreneurship – a Way to the Labour Market*. This shows truly remarkable results.<sup>38</sup>

The first two pilots involved two social co-operatives working as part of EQUAL projects with drug addicts during 2005 – Basta<sup>39</sup> near Stockholm and Vägen ut!<sup>40</sup> in Göteborg. Taking into account the various savings that society makes owing to their activity, the co-ops turn in an astonishing social profit of as much as €110,000 per employee per year – 50 times higher than their nominal business profit. This enormous difference results principally from the fact that social spending is traditionally not regarded as an investment. Yet in businesses, it is normal to turn in a loss in the first year, and then break even and move into profit. In order to reap a benefit, a little patience needs to be exercised. In the case of drugs rehabilitation through social co-operatives, this investment returns a profit after only a couple of months. However it is interesting to note that whereas the bulk of the expenditure is made at local level, the lion's share of the savings goes to the national tier of government.

To calculate what the costs and benefits of a given set of interventions are, the method maps all the different actions that are taken in dealing with a drug addict. In the case of drug rehabilitation, this results in a map of no less than 130 factors, grouped into five main chains concerning income, treatment, crime, housing and children.<sup>41</sup> Each factor is then costed – and the cost is colossal: each male heroin addict costs society €219,000 per year, while each

<sup>38</sup> Summary: *From the Public Perspective. An introduction to Socioeconomic Reports*, 16 pp Download: [http://www.basta.se/upload/filer/Introduction\\_socioeconomic\\_reports.pdf](http://www.basta.se/upload/filer/Introduction_socioeconomic_reports.pdf) Full report: *From the Public Perspective. A summary of reports on Socioeconomic Reports for Vägen Ut! kooperativen and Basta Arbetskooperativ*, 48 pp. Download: [http://www.basta.se/upload/filer/Summary\\_socioeconomic\\_report\\_Basta.pdf](http://www.basta.se/upload/filer/Summary_socioeconomic_report_Basta.pdf) – both by Ingvar Nilsson and Anders Wadeskog/SEEAB, NUTEK, Stockholm, 2006. See [www.seeab.se](http://www.seeab.se) → 'SocioEkonomiskt Bokslut', [www.nutek.se](http://www.nutek.se)

<sup>39</sup> Basta Arbetskooperativ (SE-39 Empowerment for the Future) employs 65 people, three-quarters of them men, whose preferred drug is amphetamines. [http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc-eff.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc-eff.pdf), <http://www.basta.se>

<sup>40</sup> Vägen ut! (SE-69 Way out! – From prison to social co-operative) employs 19 people, the majority women, who had been using variously amphetamines, alcohol and heroin [http://ec.europa.eu/employment\\_social/equal/data/document/200604-se-etg2-t7a.pdf](http://ec.europa.eu/employment_social/equal/data/document/200604-se-etg2-t7a.pdf), [www.vagenut.coop](http://www.vagenut.coop)

<sup>41</sup> The 'crime' chain is one of the most interesting, and it is remarkable for its extreme inefficiency. For example fences pay only a small proportion of the value of stolen goods, so if an addict needs to find 1,000 kronor for his fix he has to steal 4,000 kronor's worth of goods. Taking property damage into account the cost rises to 16,000 kronor.

male alcoholic costs €70,000. In effect each of Sweden's 60,000 drug addicts 'employs' between two and three people.

Social co-operatives help addicts to stay away from drugs and crime, and thus generate sizeable savings, both for public services – particularly the judicial system – and for insurers – and therefore householders. Basta has been going for more than 10 years, and many of its members have stayed off drugs for five years or more. In their case, the return to society from Basta's action rises to 3,150% – or a massive thirty-fold return.<sup>42</sup> The same holds true for other target groups: studies on the KOS and Briggen social co-operatives show that activating a person on long-term sickness benefit produces an annual saving of €37,000 for men and €26,000 for women, with the majority accruing to the *län* or county level.

### **2.2.1.3. SYTA**

Meanwhile in Finland, the Social Value Added Working Group of the EQUAL National Thematic Network for Social Entrepreneurship<sup>43</sup> is developing the 'SYTA method' (SYTA-malli®) of assessing the economic and the content-related outcomes of a social enterprise's activities. A tool has been produced, formatted as a spreadsheet application which is parameterised – in other words factors such as tax rates can easily be adapted to suit differing national contexts. Its economic side involves calculating the returns to the state, the municipality and the employees, then comparing these with what would otherwise have been the case. For example a study was made in 1998 of a social firm that employs 33 disabled people, and receives a subsidy of €297,000 a year. It already pays taxes in excess of this subsidy. However taking into account the savings in benefits it generates, its true social benefit is €140,000 per year.<sup>44</sup>

## **2.2.2. Measures of impact and performance**

### **2.2.2.1. Local multiplier 3 (LM3)**

One aspect of "quality" that stakeholders may wish to monitor is the impact a social enterprise has on the local economy. LM3 is a technique for gauging the local economic development effect of an investment or other piece of spending. It traces the path of the money spent through three hands: the initial recipient, the person he or she spends it with, and then the person that person spends it with. For instance a project managing organisation (level 1) might use its funds to pay a member of staff (level 2) who then spends some of his or her wages in a supermarket or restaurant (level 3). The proportion of the original sum that remains within the locality after it has changed hands twice is the LM3 multiplier.

For instance, in an example given in the manual referred to below, if £100,000 is spent in bed-and-breakfast hotels in Tayside, then the owners spent £80,000 of this in wages and local services. These staff and suppliers spend a further £40,000 buying local supplies. So all in all, £220,000 is spent locally, which gives an LM3 figure of 2.2. (Further rounds of spending are ignored as the sum rapidly tails off.)

<sup>42</sup> For Basta, the calculation is as follows, making the conservative assumption that members stay at the co-op for an average of three years. The municipality pays out €31,500 per person but reaps average gains of €78,000, which gives them a 247% return on investment. Looked at from the point of view of society as a whole, the investment of €31,500 results in revenue of €595,000 – a return of no less than 1,890%. It should be noted that while the costs of rehabilitation fall largely on local government, the savings accrue mainly to central government: a stay at Basta breaks even for the municipality after 15 months, but for society as a whole after only 2 months.

<sup>43</sup> <http://elware.fi/teematyo>

<sup>44</sup> The calculation is as follows: of the 33 employees, 24 are paid a wage, 6 a combination of wage and pension, and 3 a wage plus a wage subsidy. It receives a subsidy of €297,000, but pays €391,000 in tax and national insurance, resulting in a net benefit to society of €95,000. However this apparent social benefit is increased once one also takes account of the costs that would have been incurred if the workplace had not existed. It is estimated that 20 of the employees would be on unemployment benefit, 4 working on the open market and 3 working but receiving a wage subsidy. This would result in public spending of €121,000, of which €75,600 would flow back to the state in taxes and social insurance, leaving a net cost of €45,400. Adding these two together, the social firm generates a social benefit of €140,000, equivalent to €4,300 per disabled employee per year.

LM3 was part of the nef Toolkit and in the latter stages of EQUAL a national training scheme was launched in the UK.

A manual, *The Money Trail – Measuring your impact on the local economy using LM3*, can be downloaded in English and Italian versions.<sup>45</sup> There is also a derived publication in Czech, *Penězům na Stopě*.

The LM3 tool also comes in an online version. This first helps an organisation to go through the process of analysing its own expenditure. It then proposes questionnaires to be sent to suppliers, which the suppliers can fill in online. It has been used by a score of local authorities in North-East England. However it is shortly to be withdrawn, as the partnership operating it is being dissolved.

#### **2.2.2.2. Co-operative economic and social performance indicators (CESPIs)**

One of the simple tools for enterprises reported in the nef *Toolkit*<sup>46</sup> is the British co-operative movement's set of ten *Co-operative Economic and Social Performance Indicators*, which measure for instance not only whether members receive a dividend on profits and whether they turn up at annual meetings, but how much carbon dioxide the business emits and whether it takes ethics into account in its purchasing.

The advantage of going public with measures of co-operatives' social and environmental performance was identified in 2001 by the Co-operatives Commission, which was set up under government patronage to investigate development opportunities for the movement.

The 10 indicators are:

1. Member economic involvement
2. Member democratic participation
3. Participation of employees and members in training and education
4. Staff injury and absentee rates
5. Staff profile – gender and ethnicity
6. Customer satisfaction
7. Consideration of ethical issues in procurement and investment decisions
8. Investment in community and co-operative initiatives
9. Net carbon dioxide emissions arising from operations
10. Proportion of waste recycled/reused.

Co-operatives UK members are sent a spreadsheet once a year which allows them to calculate their CESPIs, and the spreadsheet can also be downloaded from the co-operatives UK website.<sup>47</sup>

#### **2.2.2.3. Bilan sociétal and bilancio sociale**

In France, the *bilan sociétal* is a set of 100 indicators (ranging up to 400) that show how an enterprise impacts on society. It has been piloted by agricultural co-operative sector, and during EQUAL, it was used for instance in work on rural employment development by MACIF in 'Entreprendre ensemble dans l'économie sociale et lutte contre les discrimination' and by FNCUMA (Fédération Nationale des Coopératives d'Utilisation de Matériel Agricole) in

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<sup>45</sup> <http://www.lm3online.org/Downloads.aspx>

<sup>46</sup> developed as part of the Social Enterprise Partnership (UKgb-59) <http://www.sepgb.co.uk>

<sup>47</sup> <http://www.cooperatives-uk.coop/Home/miniwebs/miniwebsA-z/cespis>



SOQLE. In Italy, the *bilancio sociale*<sup>48</sup> is a similar voluntary tool, which can be used to raise levels of transparency. For instance in the Agenzia di Cittadinanza project in Milan, the technique is used to take indirect benefits into account such as the added income generated by the provision of childcare that allows more parents to go out to work.<sup>49</sup> From 2007 it became obligatory for all registered social enterprises (*imprese sociali*).

Eurocoop, the European federal body for consumer co-operatives, promotes the use of the *bilan social* among its members.<sup>50</sup> Its website gives case studies from Denmark, Spain, Italy, Sweden and the UK.

### 2.2.3. Quality/performance improvement systems

#### 2.2.3.1. Social auditing and social accounting

There are many variations on this theme across Europe some of which have developed as part of EQUAL's work. Social auditing or social accounting is a technique that has been pioneered in the social economy but can be used by businesses of all types as well as the public sector.

**Social accounting** is a technique that has been widely used under EQUAL in the rural areas of northern Europe,<sup>51</sup> for instance in Scotland<sup>52</sup> and Finland.<sup>53</sup> It relies on identifying who the organisation's key stakeholders are, and finding out from them whether they are obtaining the benefits they desire. It works by first defining what the principal groups of stakeholders in the organisation are, and what results they want to achieve. It then monitors the way the organisation performs, compares these achievements with those of other organisations, and publishes the results. The watchwords are that the process should be multi-stakeholder, comparable, regular, versatile, learning, auditable and transparent.

The linked concept of **social audit** adds to this the recommendation that the social audit be checked by an independent outsider. The UK Social Audit Network (SAN)<sup>54</sup> publishes online materials such as the recently published free kit *Social Reporting for Community Transport*.

#### 2.2.3.2. EFQM

A popular choice of quality frameworks during EQUAL is the European Foundation for Quality Management (EFQM) Excellence model.<sup>55</sup> Derived from this is the Common Assessment Framework (CAF) for the public sector.<sup>56</sup> It is based on the following analysis of the necessary processes involved in achieving quality:

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<sup>48</sup> <http://www.bilanciosociale.it/>

<sup>49</sup> [http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc6-cittadinanza.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc6-cittadinanza.pdf)

<sup>50</sup> <http://www.eurocoop.org/publications/fr/memos/bilansocial.asp>

<sup>51</sup> This work was reported at the *Everybody's Business* conference held in Örebro, Sweden, in November 2006. See [http://ec.europa.eu/employment\\_social/equal/activities/etg2-07-se-orebro\\_en.cfm](http://ec.europa.eu/employment_social/equal/activities/etg2-07-se-orebro_en.cfm)

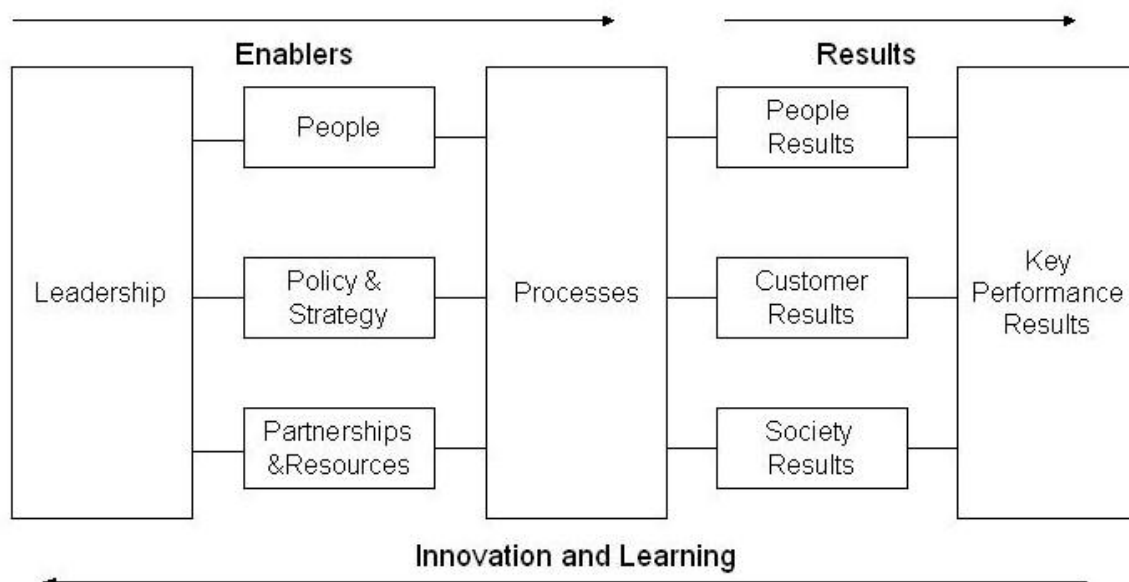
<sup>52</sup> For example the Social Economy Scotland project (UKgb-155) has produced the handbook *Making the Case – Social Added Value Guide* which outlines seven usable methods. See <http://www.socialeconomyscotland.info/scvo/content/forms/library.asp?contwentid=461&DocStr=|190|215|>

<sup>53</sup> For example as part of the Response EQUAL project of the Finnish Red Cross (FI-73) – see [http://www.redcross.fi/punainenristi/response/ajankohtaista/en\\_GB/SeminarJune2006/](http://www.redcross.fi/punainenristi/response/ajankohtaista/en_GB/SeminarJune2006/).

<sup>54</sup> <http://www.socialauditnetwork.org.uk/>

<sup>55</sup> <http://www.efqm.org>

<sup>56</sup> <http://www.eipa.eu/en/pages/show/&tid=67>



In Belgium, the Flemish ESF managing authority uses an EFQM-based model, and the Ministry of Sustainable Development and Social Economy sponsored the adaptation of the EFQM quality system for use in the second-hand sector. A project led by the Koepel van Vlaamse Kringloopcentra (KVK – Umbrella Organisation of Recycling Centres) developed a specific quality method, practical tools to accompany the introduction of an integrated quality system, and a catalogue of examples. This was piloted among 16 recycling centres in Flanders. The methodological tool was baptised **K<sup>2</sup>** (*kwadraad kringloopcentra* – a ‘quality thread’ for recycling centres) and is based on 72 long-term objectives that a quality recycling centres should achieve.<sup>57</sup>

In Finland, **SYFO**<sup>58</sup> works on the basis of the EFQM Excellence Model. It provides training, guidance and business advice to promote social, economic and ecological responsibility and performance improvement.

In the UK, the **C3 – A Credible, Competitive and Confident Social Economy** development partnership observed that most business support focuses on crisis management, business planning and finance, rather than on broader issues. It wanted to encourage a more holistic approach, and put it into practice in the form of a simple diagnostic workbook called **PERform** – (performance, evaluation, review). This tool, based on the EFQM model, is downloadable from the C3 website in the form of a short 16-page booklet.<sup>59</sup> It takes the user through 45 short statements divided into nine sections: leadership; policy and strategy; people; partnerships and resources; processes; customer results; people results; society results; and key performance results. In each case, the user is invited to write down one thing the organisation does well, one thing it could do to improve matters, and then to enter scores for performance now and performance desired in 12 months’ time. At the end, this can be summarised to form an action plan.

The workbook has other benefits: it is designed to generate dialogue among staff members, to help prioritise actions and to provide a way of measuring progress. It can also be the basis for obtaining other forms of certification, such as ISO 2000, Investors in People or certification as a childcare provider.

The C3 performance improvement tools have been collated into an online service under the BenchLearning banner.<sup>60</sup> The tools comprise:

<sup>57</sup> <http://www.socialeconomy.be/FR/themes/EntrepreunariatSocialeMap/kvk.htm>

<sup>58</sup> <http://www.syfo.fi>

<sup>59</sup> <http://www.c3partnership.org/toolkit/self-assess/c3-perform/>

<sup>60</sup> <http://socialenterpriseworks.org/benchmarking>



- **Perform Diagnostic:** This is a performance diagnostic tool designed to encourage staff participation in the development of the organisation. Every member of staff can access the quick and easy multiple-choice questionnaire and the results are collated to provide a holistic picture of the organisations strengths and areas of improvement.
- **Key Performance Indicators:** a questionnaire for senior to identify though comparison how the organisation meets key stakeholders' needs
- **People Management:** a questionnaire for human resources managers that covers 7 areas such as: training and development, absence management and supervision and appraisal.
- **Financial Management:** a questionnaire for finance managers including governance, cash and treasury, budgets etc.

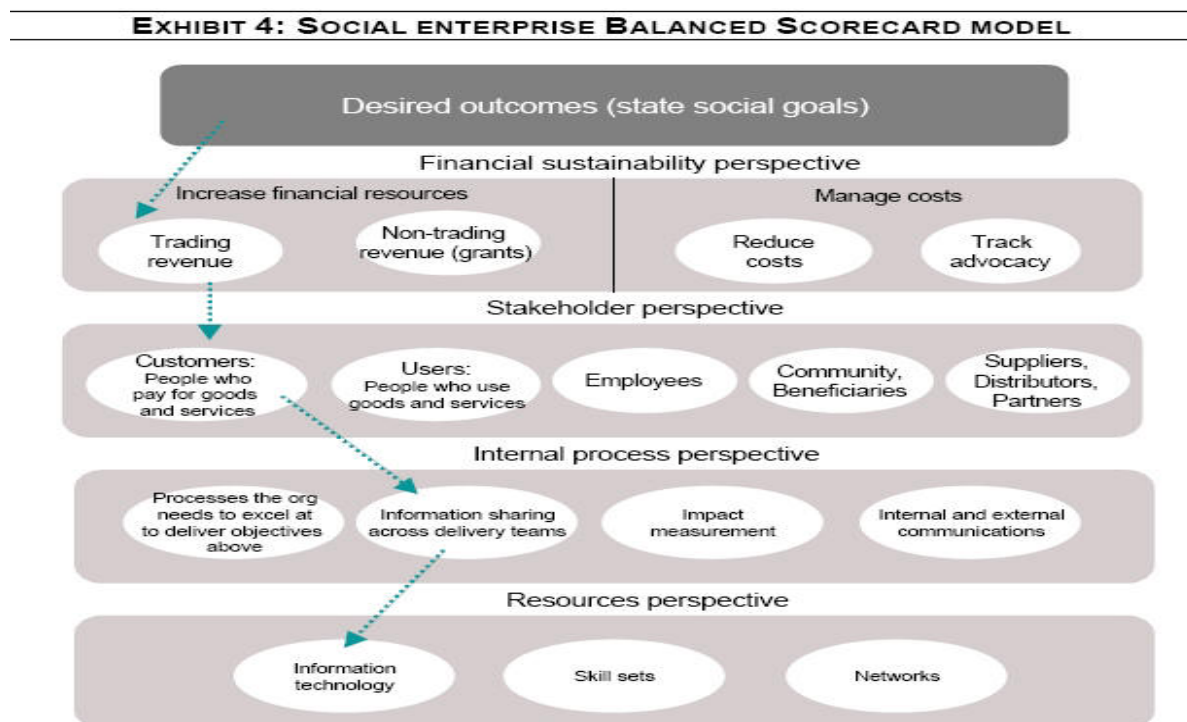
### 2.2.3.3. ISO 14001

The ISO standards end to be more suited to larger businesses, and so have not proven to be very widely used among social enterprises. Nevertheless there is nothing to stop this and in Finland the Network of Social Economy and Recycling/Reuse (NetSer) uses ISO 14001 and EFQM to improve quality. It is a co-operative of four member social enterprises, which operate in 100 Finnish municipalities. NetSer provides its members with information, contracts, joint purchasing and selling, logistical support, a webshop and international business links.

### 2.2.4. Strategic management tools

The Social Enterprise Balanced Scorecard has been tailored from the more general Balanced Scorecard tool.<sup>61</sup> This is designed to translate an organisation's mission and objectives into a set of indicators that cover all aspects of the organisation's performance in a balanced way. Whereas the original BSC examines the organisation from four perspectives – learning and growth, business process, customers and financial – the SEBC adds a fifth level of social goals, and take a multi-stakeholder rather than a customer-led approach.

In EQUAL, this approach was used by the BEST 3S partnership in Germany, who have



published an online manual on its use,<sup>62</sup> and was also piloted and developed by Social Enterprise London.

### **2.2.5. Quality standards and brands**

There are also a number of quality standards and brands.

#### **2.2.5.1. Star Social Firms**

This system, designed by Social Firms UK,<sup>63</sup> defines 23 criteria for social firms, divided among three headings – Enterprise, Employment and Empowerment. It is designed specifically for WISEs (work integration social enterprises) and therefore emphasises the aspect of employment. It is also designed to be an affordable certification for a small social firm to achieve. So far, ‘star’ status has been awarded to five social firms. The 23 criteria are:

##### **Enterprise:**

- non-profit / co-operative
- trading structure
- employment objectives
- half income from market
- *independence (desirable)*

##### **Employment:**

- 25% of workers severely disadvantaged
- parity of treatment between all workers
- contract of employment
- market or minimum wage
- staff development
- legal compliance (equal opportunities, health & safety etc.)
- “acknowledged as good employer”
- *disadvantaged at all levels (desirable)*
- *Investors in People (IIP) accreditation (desirable)*

##### **Empowerment:**

- adjust to employees’ needs
- volunteer agreements
- stress management procedures
- staff development a priority
- participation in decision-making
- confidentiality
- disability, equality & awareness training
- training for disadvantaged staff
- *social accounting (desirable)*

#### **2.2.5.2. Sozialgütesiegel**

Another quality mark for WISEs is the Austrian Sozialgütesiegel scheme,<sup>64</sup> which “guarantees clearly defined social, organisational and economic quality standards in social integration enterprises”. The mark, which draws on the EFQM model, is awarded by an expert assessor, and adherence to the standards is rechecked after three years. Criteria include:

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<sup>61</sup> <http://www.balancedscorecard.org>

<sup>62</sup> <http://www.best3s.de/start.htm>

<sup>63</sup> <http://www.starsocialfirms.co.uk/>

<sup>64</sup> <http://www.bdv.at/guetesiegel-fuer-soziale-integrationsunternehmen/allgemeines>

- adherence to the values of antidiscrimination, social integration, gender mainstreaming and social utility;
- personal development plans for temporary employees, progress documentation, equal pay for equal work and the use of socio-economic indicators and key results;
- quality performance in the areas of leadership, mission, strategy, regional links, employees, partnerships and resources, processes, contractual results, employee-related processes, societal results and key socio-economic results.

#### **2.2.5.3. Standardy sociální firmy**

Standards for social firms were also developed during EQUAL in the Czech Republic.<sup>65</sup>

#### **2.2.5.4. The Social Enterprise Mark**

This 'identifier' is a brand for social enterprises which is being established in the UK. The work was led in south-west England by Rise, who has formed a joint venture with the Social Enterprise Coalition to administer a new national Social Enterprise Mark which will be launched in February 2010 at the *Voice10* conference. The mark aims to establish a visual identity for social enterprises, so as to raise awareness and understanding of their value. <http://www.socialenterprisemark.org.uk/>

### **2.3. STATE OF PLAY**

The policy context is one where public authorities have long been aware, of the wide variety of solutions that social economy enterprises offer to public policy problems, but are often unconvinced of their efficiency or affordability. Policy-makers' knowledge has tended to be partial and anecdotal, and results of rigorous academic studies are not widely known. Self-promotion by social economy enterprises is often patchy. A number of political issues have tended to cloud the picture, as is perhaps inevitable given the way that the social economy sits astride the boundary between the private and public sectors, and hence draws on both competitive and public service logics and justifications.

At the same time recent years have seen a massive amount of innovation going on in the social economy, with the development of new organisational forms (notably multi-stakeholder ones) and the application of social economy models to new social issues (neighbourhood services, care, rehabilitation of offenders, energy, environment, sport, transport, communication, rural services etc.). A number of sources would indicate that social economy enterprises are growing steadily, in geographical coverage as well as activities carried out. The model is again taking root in Central and Eastern Europe where it had been temporarily discredited. The current financial crisis has swung the spotlight away from the model of unregulated competition and back towards a more socially responsible paradigm.

In this context, there is a healthy appetite among policy-makers for robust tools to assess and demonstrate the full range of costs and benefits which a social economy approach entails. During the EQUAL initiative tremendous progress was made in bringing experts and practitioners together at European level, and in building permanent networking structures as well as tools and a bank of capitalised experience.

This developing and increasing interest was evidenced in part in some of the national baseline reports.

The Polish report stated that 'the basic method of assessing the social added value of social enterprises is the social audit. It uses the available methods and tools of assessing the activities of social enterprises to determine the social added value generated by them.

<sup>65</sup> <http://www.socialni-ekonomika.cz/se-index.php?id=141>

Taking into account the fact that in theory, as well as in practice, the social audit in social enterprises has only a few years of experience, at the moment, it is not a single and coherent methodology of research, but rather a set of different proposals based on earlier experience in respect to assessing business activities and assessing social activities. The social audit, regardless of the methods applied, is distinguished by its complexity in respect to subjective aspects, i.e. considering all stakeholders of SEs, and objective aspects, i.e. considering all areas and elements of enterprises activity. Also other tools for measuring the social added value are used that cover, for example, Social Return on Investment – SROI, local multiplier 3 – LM3, Second Bottom Line or the Italian Bilancio Sociale’.

The Czech Republic report recognised Social Return on Investment (SROI) methodology as the ‘crucial’ approach belonging to ‘a large group of social accounting methods that have been developed over last decade’. It went on to argue that ‘SROI proved to be applicable not only to the local enterprise investment but also to other areas of public policy. SROI analysis culminates in “social value” which captures set of values, issues and processes embracing economic, social and environmental value (Triple Bottom Line). Although based on traditional financial and economic tools such as cost-benefit analysis, SROI broadens the approach by including other aspects in its focus, that matter to stakeholders – the investor (state) and particularly those delivering and using services. The usage of SROI methods has a broader policy context, namely relations between economic development and regional inequality.<sup>66</sup>

In Sweden the approaches being used include socio-economic auditing for social enterprises. The idea is to complete and combine business economic auditing with a socio-economic auditing with the purpose to show that social enterprises give the society lower costs for the public sector and a growing GDP. The socio-economic auditing will then be used to help decision makers to use the social enterprises to integrate people who have big difficulties to get and/or keep a job. The work to develop socio-economic auditing is a major task for the future.

Within the UK there has been a recent increase in interest in SROI. There is an established Social Audit Network and organisations like Charities Evaluation Services provide regular training on issues like outcomes and management tools like Picasso.

## 2.4. PROBLEM

There are a number of problems that surround the issue of assessing and improving the social added value and quality created by social economy enterprises. The national baseline reports mention lack of information, awareness and skills:

- The Czech report mentions lack of standard methodologies, practical experience or institutional support to enterprises wishing to measure social added value and quality.
- Poland also indicates the lack of a proven universal method, as well as of knowledge and practical experience. Equally there are no legal or institutional incentives to assess social added value, and it would be necessary to subsidise the initial cost of introducing quality systems.
- The Finnish report points to the lack of any quality standards for social enterprises. It asks: “could the social aspect be perhaps evaluated by the outcomes it creates, be it employment, democratic participation, non-profit services or sustainable development? And how could these outcomes be linked to the funding that social economy organisations receive from different sources?”

<sup>66</sup> The governmental programme the Local Enterprise Growth Initiative (LEGI) was launched in 2005 with the objective of reducing the gap between deprived areas and more prosperous communities elsewhere. Lawford E., Nicholls J: *Hitting the Target, Missing the Point*. London: New Economic Foundation 2006

- The Swedish report stated that Sweden suffers from insufficient visibility and recognition of the social economy's values and character, with the result that fewer than 50 organisations regularly carry out a social audit. In addition "the distinctive character and the special values which the organisations of social economy represent are not expressed or recognised enough". This depends, above other things, on the fact that these are not measured or that it's hard to measure them. In addition, the Swedish report noted that:
  1. 'there is no tested, uniform, universal measuring methodology to carry out a measurement of social added value and standardize activities in social enterprises;
  2. the amount of practical experience in implementing the tools of measuring social added value and quality standards in the operation of social enterprises is relatively low, which is a significant barrier to the development and dissemination of these instruments, also from the perspective of the social enterprises themselves, which lack both the knowledge and experience to make their usage possible,
  3. there are no legal and institutional solutions, which would stimulate social enterprises to implement the tools of measuring social added value and quality standards, e.g. as instruments which have an impact on obtaining support from the public sector; under this context, especially in the initial implementation period, it would be important to develop solutions that would reduce the burdens of the social enterprises associated with implementation of these instruments, e.g. through a partial refund of costs of performing the measurement of the social added value or standardisation of operation.'

In summary:

**The various ways in which the phrase social value is used, the various and different things to which it is applied and the different methodologies being used are an immediate problem for measuring and communicating social value.**

#### 2.4.1. General Problems

- **Forgetting the value in other sectors.** Aligning social value with social economy organisations risks forgetting that other organisation's can create social value and that both they and social economy organisations can also destroy social value;
- **The need for consistency.** Measurement implies that the measures can be used for communication and comparison. If there is no consistency in what is meant by social value, communication and comparison will be difficult or impossible and the benefits expected from measuring social value are less likely.
- **A process or a list.** For some social value has been related to a predetermined set of indicators, sometimes indicators of outputs and sometimes indicators of outcomes. The danger here is that it is difficult to generate a complete list of social value that is relevant to different situations. The alternative is to understand social value in relation to the activity and accept a wide range of measures of value. The latter however will require consistency in the process by which value is understood as the trade off for allowing value to be specific to different situations.

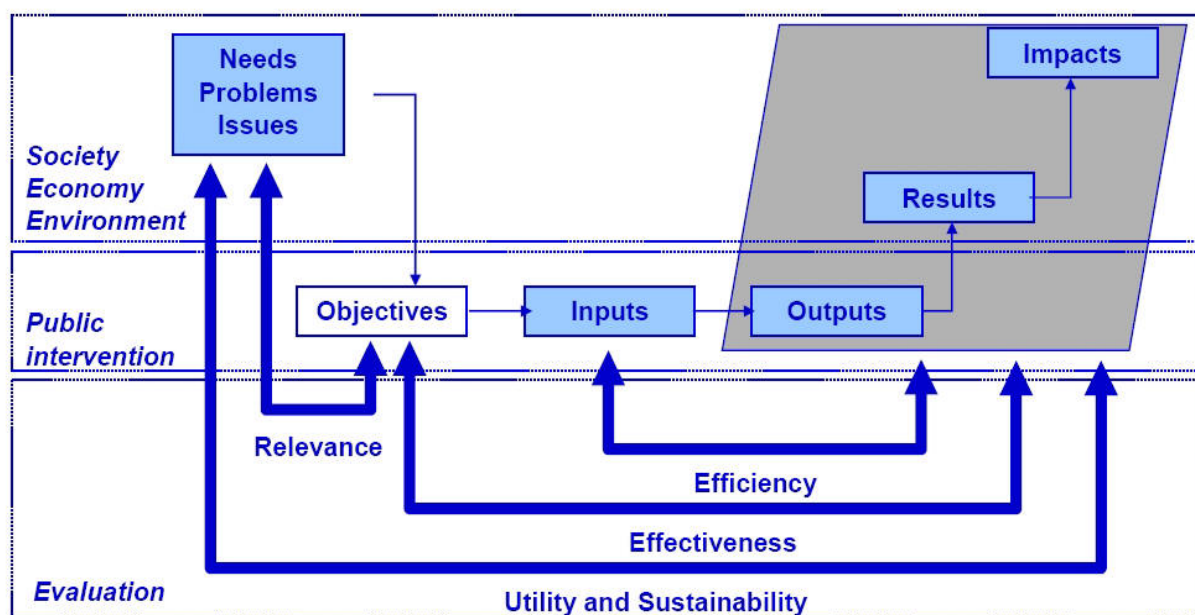
From the decision to understand social value through a process and not be reference to a list, a number of other issues arising relating to how stakeholders have been involved, the extent to which indicators are good indicators of the outcomes and the way in which the risk of over claiming has been assessed.

- **Misconceptions.** Inevitably there will be misconceptions around these approaches, for example for SROI there is a view that the approach is solely focused on the SROI ratio as opposed to being a set of narrative, qualitative, quantitative and financial information based

on involvement of stakeholders. There is also a view that it is time consuming and requires external support and is only appropriate for large organisations, whereas when for example forecasting social value it can be used by new organisations as part of a general planning process.

#### 2.4.2. Philosophical and theoretical issues

- **The wrong indicators:** it is difficult or impossible to specify indicators that take account of every conceivable outcome an intervention may have. The skill lies in judging which outcomes are significant and which may rationally be ignored.
- **Silo thinking:** this problem may result from perverse incentives within government, or simply from decision-makers looking at the problem with too narrow a focus. It can be, and often is, that different ministries or tiers of government will benefit to differing degrees from a given intervention. For instance when an offender joins a work integration social enterprise, the cost of business support may fall on the local authority, while the savings in law enforcement would benefit other public bodies.
- **Confusing efficiency with effectiveness:** efficiency, which measures the outputs achieved per unit input, is a shorter-term measure than effectiveness, which measures the outcomes or results achieved per unit input.<sup>67, 68</sup> For instance the number of trainees who complete a course is an output, while the outcome might be increased employment and/or decreased poverty. It might be possible to run cheaper courses (thus increasing efficiency), but if these do not help the trainees to get a job, they are not more effective. Thus, commissioning procedures that over-emphasise budgetary limits and do not mention qualitative factors may backfire: short-term savings may be bought at the expense of higher long-term costs.



- **Using valuation:** One view is that it is impossible or undesirable to try to value those things which are not traded in markets, giving examples such as happiness, using financial proxies. They prefer to keep such value judgments in the realm of political choice, rather than economic calculation. Others argue that this often a misunderstanding of a valuation process that would require a deeper understanding of what happiness 'looked like' in a particular

<sup>67</sup> *The Effectiveness and Efficiency of Public Spending*, European Economy Economic Papers no. 301, 2008. [http://ec.europa.eu/economy\\_finance/publications/publication11902\\_en.pdf](http://ec.europa.eu/economy_finance/publications/publication11902_en.pdf)

<sup>68</sup> *Sourcebook on Sound planning of ESF programmes* – Report resulting from the ESF seminar, Vilnius 17-18 November 2005



context and which then makes valuation easier. In addition others argue that in order to influence decisions we need to reveal the values of those that are missed out and believe that financial proxies of value are better than no value.

#### **2.4.3. Practical issues**

- **Cost of implementation:** in particular such systems may contain an “affordability” criterion which may militate against the introduction of new systems or the taking into account of benefits and costs to other departments’ budgets.

- **Learning curves:** the benefits from assessing social value and quality flow to society at large, but there are essentially two groups of stakeholders who are most closely instrumental in spreading this practice:

- public authority procurement and commissioning officials
- members and employees within social economy enterprises

Both these groups need to understand the potential benefits that can flow from assessing social added value and quality, the methods available, and how practicable they are to introduce. However such an understanding will not be sufficient to ensure their introduction, because of the resistance to changing established practice.

#### **2.4.4. Political opposition**

Political opposition to assessing social added value and quality may come from two opposing directions – both in the realm of myth rather than fact:

##### **– Suspicion that it’s a Trojan horse for free-market liberalism**

People who are politically supportive of social enterprise may suspect impact measurement of being reductive – of undervaluing the ethical nature of social enterprises and of focusing solely on their outputs or even outcomes. They may feel that this is the thin end of the wedge; that admitting that social enterprises should be measured for their public utility is the first step on the slippery slope towards their being measured on grounds of cost alone – which would lead to levelling down in quality. They see the risk that social enterprise will be instrumentalised and commoditised – that it will be judged purely on numbers and its essence will be ignored.

##### **– Concern to preserve free and fair competition**

From the other side of the political spectrum may come the fear that admitting that there is such a thing as social value would undermine the principles of competition. This view places greater stress on those things that can be bought and sold in the market, and correspondingly less on those goods and outcomes that are not. These are goods like health and education that would be under-produced and under-consumed in a free market economy.

##### **– Distrust of competition**

On the other hand sceptics may question the value of competition. Clarifying the added value that social enterprises produce is in some respects a two-edged sword, with advantages but also drawbacks:

- on one hand it simplifies the work of people commissioning contracts (“commissioners”), thus increasing the size of demand, and increasing the flow of income to social enterprises; but
- on the other hand it enables other enterprises to compete on the same grounds – which they may be suspected of doing through “cutting corners”, or fulfilling the letter of the contract but not the spirit.

In this sense increased visibility, by increasing information in the market, also increases competition, and this may not be welcome to all players.



## 2.5. GOOD PRACTICES

There will be examples of good practice within each of the five classifications and one of the most important issues will be to be clear about the purpose. Whilst examples across five classifications have been used, it is only the first that focuses on **measuring and reporting** on 'social value'. The others relate either to specific types of value or to methods to increase the value being created.

Good practice will relate to a number of different aspects of measuring social value. For example, good practice will require:

- An understanding of the needs of stakeholders and of their perception of the value the organisation is creating to be central
- Information systems that provide information on outcomes and on outcomes that are appropriate for stakeholders
- The ability to assess how much value is being created and where and for this to be widely understood
- The opportunity to benchmark
- That the methods provide benefits to organisations as well as the stakeholders and are therefore both accessible and credible.

There will be example of good practice within each of these aspects for example, a number of federal bodies have developed tools that are particularly appropriate for their members, and this allows a family of organisations to work to a shared benchmark that is phrased in terms they are familiar with and to which they can easily relate. Such is the case with the *bilan sociétal*, *bilancio sociale*, CESPIs, Star Social Firms etc.

In terms of online tools, the C3 Quick Perform tool<sup>69</sup> is accessible (web download), versatile and easy to carry out unaided. It is a good introduction to quality improvement. Social evaluator<sup>70</sup> is web based approach for carrying out SROI again increasing accessibility to this approach.

## 2.6. CONCLUSION AND PROPOSED SOLUTIONS

From the Polish perspective, broadly shared by other national benchmark reports, it seems that it will be necessary to:

- use the existing possibilities, above all, the resources from the ESF to develop a coherent and universal methodology of measuring social added value and quality standards, as well as to prepare, implement and assess, on their basis, the pilot projects implementing the developed methods and tools;
- implementation of such projects should take place in cooperation with the institutions and organisations from the EU countries that have the knowledge and practical experience in the area of applying tools of measuring social added value and standardisation, as well as with the participation of the Polish leader within the field;
- prepare and launch the training programme for social auditors on the basis of the obtained practical experience;

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<sup>69</sup> <http://www.c3partnership.org/toolkit/self-assess/c3-quick-perform/>

<sup>70</sup> [www.socialevaluator.eu](http://www.socialevaluator.eu)

- disseminate knowledge within the scope of methods and tools of measuring social added value and quality standards, primarily, among social enterprises but also organisations providing support to their activity and public entities shaping the policy within the area of social economy;
- develop legal regulations concerning the application of the measurement of the social added value and quality standards of the SEs, as well as instruments supporting social enterprises in their implementation both at national and European level.

This approach would recognise the work that has been undertaken to date. However the challenge of agreeing a common approach may remain if the discussion revolves around the use of a common 'tool'. The challenge is to find an approach which:

- has enough consistency to allow communication
- permits an assessment that recognises the level to which value is being created (and the possibility that it isn't)
- is flexible enough to allow for cultural and regional differences in recognising value that is being created (and avoids preset lists of indicators)
- is established within a structure that allows for future development and change
- builds on aspects of work that already have considerable consistency

The proposition is that the building blocks for this would be an approach:

- based on a set of principles and definitions rather than on specific tools
- where the indicators arise from a process, and therefore allow for a wide variety of indicators, although developing them through a consistent process
- built within a network or a community of practice which starts from a shared point but which permits development and change
- has the capacity for external assurance of assessments of social value

The SROI Network, although clearly associated with a particular methodology, has taken this approach.

Firstly it is based on the set of seven principles outlined above. Many of the other approaches share at least some of these principles. Some of the principles are more accepted by some than by others, for example social economic auditing would recognise the principle of valuing outcomes using financial proxies whereas social accounting has tended to avoid valuation using financial proxies. If the discussion starts from the perspective of differentiating purpose and then agreeing principles a common approach may be more likely,

Secondly the network has developed an accredited training offer which could be expanded and developed, and provides a route within which SROI work can be externally assessed, currently on the basis of assurance of compliance with principles but, working with the Social Audit Network to include audit of both principles and data.

What is important is that any assessment of social value requires judgements and that the range within which these judgements will be made is currently quite wide but needs to reduce overtime in order that an understanding and recognition of social value can become more widely shared. Financial accounting also makes judgements but after several hundred years of development these are made within relatively tight boundaries.

Thirdly although the network is based in the UK, it is an international membership body with over 240 members including European members in Czech, Finland, Germany, Holland and Spain. Members include social enterprises, their intermediaries, social investors and academics providing a forum in which account can be made for the needs of different stakeholders. In addition the network has been working with one member that has developed

an online tool for assessing social return on investment; social evaluator. This is currently being piloted by a large number of funders and philanthropists across Europe.

## 2.7. STAKEHOLDERS TO BE INVOLVED

In general terms, the key stakeholders who need to be involved in developing a common methodology for assessing social added value and quality include:

- the public authorities responsible for overseeing and/or regulating social enterprises
- the chief customers of social enterprises – in particular local authorities
- members, managers and employees in social enterprises
- groups representing the customers and users of the services provided by social enterprises
- professional advisers such as accountants, social auditors and consultants
- academic students of social enterprises

More particularly, the Czech partner mentions the following stakeholders important for dissemination:

- Ministries of Labour and Social Affairs and of Industry and Trade
- representatives of small and medium enterprises, Chamber of Commerce
- Union of Towns and Municipalities of the Czech Republic, Association of Regions of the Czech Republic

The Polish partner mentions, as sources of expertise, the Malopolska School of Public Administration, the Civil Society Development Foundation, the Association for Social Cooperatives, the Polish Social Cooperative Monitoring Association and the Responsible Business Forum.

## 2.8. THE ENVIRONMENT: OTHER ACTIONS UNDER WAY, NETWORKS, EVENTS, EXPERTISE

The major publicly supported projects currently under way in this area are British, and are working in complement with each other. The larger is the *SROI Project*,<sup>71</sup> commissioned by the Scottish government and the other is *Measuring Social Value*, supported by the UK government. These projects are related and run until March 2011. The main outputs are:

- An updated Guide to SROI (now available)
- An accredited training course (now available)
- The development of a network of accredited practitioners (underway)
- A database of indicators and financial proxies (expected 2010)

Social E-valuator is based in the Netherlands and provides an online method for calculating SROI. Since mid-2008, Social E-valuator has gathered **24 pilot organisations** – foundations, social funds or charities – all around Europe. An updated version will be available in early 2010.

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<sup>71</sup> <http://www.sroiproject.org.uk/>

### 3. SOCIALLY RESPONSIBLE PUBLIC PROCUREMENT AND PUBLIC-SOCIAL PARTNERSHIP

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#### 3.1. CONTEXT – CONCEPTS AND DEFINITIONS

##### 3.1.1. What is SRPP?

Socially Responsible Public Procurement (SRPP) refers to procurement operations that take into consideration, inter alia, the promotion of employment opportunities, build-in safeguards with respect to the standards of working conditions, strive to support social inclusion (including persons with disabilities), social economy and SMEs, promote equal opportunities and “accessibility and design for all”, take into account Fair and Ethical Trade issues as well as human and labour rights and seek to achieve wider voluntary adherence to CSR while observing the principles of the EU treaty and the EU Procurement Directives.

Here are some examples of the use of public procurement to reinforce social policy objectives under each category:

- Promoting “*Employment Opportunities*” e.g.:
  - promotion of youth employment
  - promotion of employment of persons from disadvantaged groups
  - promotion of employment opportunities for the long-term unemployed
  - promotion of employment for old-age unemployed (older workers)
  - promotion of on the job skill development programs including for persons with disabilities
- “*Decent Work*”: promotion of Labour Rights (ILO Core Labour Standards), Human Rights and Standards of Working Condition and Promotion of Equal Opportunities and Non-Discrimination; e.g.:
  - social security and benefits
  - working hours
  - sufficient and equal pay
  - occupational safety and health (OSH)
  - freedom of association
  - collective bargaining
  - gender (equal opportunities for women)
  - prohibition of child labour
  - elimination of forced labour
  - integration of migrant workers
  - access to vocational training
  - anti-discrimination based on disability, race, ethnic origin, age, sexual orientation or religion or ex-offenders
- Supporting *Social Inclusion* and Promoting Social Economy Organizations, e.g.:
  - participation of firms owned by or employing persons from ethnic/minority groups
  - firms employing persons with disabilities above the percentage prescribed by national law
  - access to employment for persons with special needs to enhance their employability to secure Decent Work
  - access by cooperatives and non-profit organizations
- Promoting “*SMEs*”
  - provisions reducing the cost/burden of participating in SRPP opportunities
  - provisions enabling greater access by SMEs to public procurement opportunities through prescribed sub-contracting requirements

- Promoting “*Accessibility and Design for All*”, e.g.:
  - Mandatory provisions in technical specifications to ensure access by persons with disabilities to, e.g. public services, public buildings, public transport, IT applications. The key issue is to buy goods and services that are accessible to all.
- Taking into account “*Fair or Ethical Trade*” issues
  - use of stipulations of these labels in tender specifications and conditions of contracts
- Seeking to achieve wider voluntary adherence to “*Corporate Social Responsibility*”
  - working with awarded contractors to enhance adherence to CSR values.

The status of these social policy objectives differ markedly, of course, both in EU law and in different Member States. Thus, for example, some of these social policies are legally obligatory under EU law, such as equal opportunities between men and women, whilst some are not, such as fair trade. In Member States, some of these social policies are legally obligatory, e.g. in some sectors there are mandatory provisions in some Member States regarding accessibility that go beyond the requirements of EU law, but not in other Member States (see 3.2 and 3.5).

### 3.1.2. Data and History of the Public Procuring in Europe

Public procurement is an important area of the European economy. In the EU, spending on public procurement amounted to about 16% of the gross domestic product (GDP) of the Member States, or €1,500 billion in 2002<sup>72</sup>, with significant variation between Member States ranging between 11% and 20% of GDP. This sum equals the GDP of several smaller EU Member States, or half the GDP of Germany (European Commission, 2004). Therefore, the purchasing power of public institutions can have significant impacts on the market.

For a long time, public procurement had to be economical and efficient only. Due to the growing acceptance of ***Sustainable Development as an overarching guiding model***, environmental and social aspects have become increasingly important, also for public procurement.

The two new directives approved by the European Parliament in 2004 result from a long and important work by the EU institutions that began in 1996 with the adoption of the **Green Paper on public procurement**.

In the Green Paper the Commission, well aware that public purchases are an important orientation tool for many different social objectives, paid particular attention to issues such as working conditions, freedom of movement for workers, equal opportunities, social protection and health, environment, integration of disadvantaged groups, the fight against corruption and dishonest entrepreneurs winning public contracts.

In particular, the social and environmental issues were treated in special Commission communications, the first in the “***Interpretative communication of the Commission on the Community law applicable to public procurement and the possibilities for integrating environmental considerations into public procurement***” of July 4<sup>th</sup> 2001 (COM 2001/274), and the second in the “***Interpretative communication of the Commission on the Community law applicable to public procurement and the possibilities for integrating social considerations into public procurement***” of October 15<sup>th</sup> 2001 (COM 2001/566). These communications, agreeing with the Green Paper, underline the importance of coordinating public procurement regulations with other EU policies such as those on environment, social policy and consumer protection.

With the two communications of July and October 2001 the Commission aimed to coordinate and harmonize social and environmental issues through regulation of public procurement.

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<sup>72</sup> Report on the functioning of public procurement markets in the EU: benefits from the application of EU directives and challenges for the future, 03/02/2004.

Actually the legal framework of public procurement in the EU is based on Community and international rules laid down by the **Treaty of Rome**. At European level, the Treaty establishing the European Community (EC Treaty) requires public purchasers to respect the principles of equal treatment of economic operators, transparency in tendering procedures, real competitive tendering, the freedom to provide services and mutual recognition throughout the Union.

In March 2004, **two EU Directives** on public procurement were adopted in order to clarify, simplify and modernize existing legislation.

Before Community legislation was enacted, only 2% of public contracts in the Community were awarded to enterprises based in a member state other than the one in which the invitation to tender was issued. The lack of open and effective competition was not only an obstacle to the completion of the single market, but it also pushed up the costs for contracting authorities. Moreover, the lack of intra-community competition in certain key industries inhibited the development of European enterprises which were competitive in world markets.

To pursue this issue the European Union replaced the four European directives on contract award procedures with two new directives which entered into force in April 2004 (the date for transposition by the member states was set at 31 January 2006):

- **Directive 2004/18/EC for public works contracts, public supply contracts and public service contracts;**
- **Directive 2004/17/EC on the sectors of water, energy, transport and postal services.**

Directive 2004/18 focuses on contracting authorities, while Directive 2004/17 is oriented towards special sectors of contracting authorities. Although the two directives do not prescribe Sustainable Public Procurement, they open possibilities to consider social and/or environmental issues at an early stage of the procurement process.

Directive 2004/18/EC does not apply to public works contracts, public supply contracts and public service contracts which have a value excluding VAT estimated to be less than the thresholds adjusted by the Commission every two years.

Directive 2004/18 “clarifies how the contracting authorities may contribute to the protection of the environment and the promotion of Sustainable Development, whilst ensuring the possibility of obtaining the best value for money for their contracts”.

In Directive 2004/18/CE there are several dispositions stating that contracting authorities can impose conditions in order to promote social and environmental issues, as long as those conditions respect the EU laws. This compatibility depends on the fact that *“Contract performance conditions are compatible with this directive provided that they are not directly or indirectly discriminatory and are indicated in the contract notice or in the contract documents. They may, in particular, be intended to favour on-site vocational training, the employment of people experiencing particular difficulty in achieving integration, the fight against unemployment and the protection of the environment. For instance, mention may be made, amongst other things, of the requirements –applicable during performance of the contract – to recruit long-term job-seekers or to implement training measures for the unemployed or young persons, to comply in substance with the provisions of the basic International Labour Organization (ILO) Conventions, assuming that such provisions have not been implemented in national law, and to recruit more handicapped persons than are required under national legislation.”*

*“Criteria involving social considerations may be used to determine the most economically advantageous tenderer where they provide an economic advantage for the contracting authority which is linked to the product or service which is the subject-matter of the contract”.*

Finally the Commission confirms the validity of conditions in favour of social and occupational issues not only when executing the contract, but also when selecting the enterprises, consid-

ering them amongst the selection criteria. That is possible as long as “relating to the object of the contract, they aim at selecting the most advantageous offer for the administration”.

*“One way to encourage the pursuit of social objectives is in the application of contractual clauses or of conditions for the execution of the contract, provided that they are implemented in compliance with Community law and, in particular, that it does not discriminate directly or indirectly against tenderers from other member states”.*

The directives subject public contracts whose value is higher than Community thresholds to common rules on the publication of notices in the Official Journal of the European Union. At the same time, the new EU provisions simplify the contract award procedures.

The public authorities have the choice between open and restricted tendering procedures and they may, under the terms explicitly laid down in the public procurement directives, have recourse to a negotiated procedure with or without prior publication or to a competitive dialogue procedure.

Most of the National laws are a direct result of the EU Directives and, according to them do not prescribe SRPP but open possibilities to consider social and/or environmental issues.

As outlined in the EU Treaty, a directive “shall be binding, as to the result to be achieved, upon each Member State to which it is addressed, but shall leave to the national authorities the choice of form and methods”

Regarding the status of implementation of the directives in the Member States, they should have transposed the European Procurement Directives into national legislation by January 31<sup>st</sup>, 2006.

However, only 8 member states respected the deadline: Austria, Denmark, Hungary, Lithuania, Malta, Holland, Slovakia and the United Kingdom. In December 2006, the European Coalition for Corporate Justice (ECCJ) urged all member states to proceed with this transposition. In July 2008, more than two and a half years after the deadline passed, still not all countries had finalized the transposition process.

It is the responsibility of the member states to transfer the Directives into national law. Such national procurement laws may vary between the member states, as long as they do not contradict the Directives. The case law of the European Court of Justice should also be taken into account, which constantly supplements the EU procurement regulations. Additional differences between countries may exist in the laws and policies that apply below the Directives' thresholds.

**The Final Report to the EU High-Level Group on CSR: “Sustainable Public Procurement in EU Member States: Overview of government initiatives and selected cases”** published by RIMAS - Research Institute for Managing Sustainability in October 2007 provides an overview of the main governmental SPP initiatives in EU Member States.

The report analyze **103 governmental SPP initiatives in 26 EU Member States**. Even if it is certainly not a complete picture on SRPP initiatives in the EU 27, it could provide a comprehensive overview.

The types of SPP initiatives analyzed in the report refers to the using of the following policy instruments (or combination of them):

- Informational or endorsing instruments (e.g. campaigns, guidelines, trainings),
- Partnering instruments (e.g. networks, partnerships, dialogues),
- Financial or economic instruments (e.g. economic incentives, subsidies, grants),
- Mandating instruments (e.g. regulations, laws, and decrees)
- Hybrid instruments (e.g. strategies, action plans, platforms, centres).

The first interesting result is that the number of initiatives is very different in EU Member States, (lowest 1: Latvia, Luxemburg, Portugal, Romania, Slovak Republic and Spain – highest 9: UK).



A closer look at the initiatives listed in the report shows that some initiatives mentioned do not focus exclusively on SRPP.

The report also shows that less than 50% of the 103 initiatives focus on environmental and social issues (SPP), more than 40% per cent on environmental issues (GPP), and only 6.8 per cent on social issues.

Regarding the target groups of the 103 initiatives, not surprisingly, the major “direct” target group of government initiatives aimed at SPP is the public sector in general (66 per cent), followed by procurers at the national/federal level (19.4 per cent). Although only 10.7 per cent of the government initiatives on SPP target businesses directly, they are of course the most important indirect target group standing behind all SPP initiatives.

### 3.2. THE LEGAL FRAMEWORK IN SOME EU MEMBER STATES

In this chapter will be shown how the Member States transpose the EU Legislation on Public Procurement and if and in which measure the Innovative elements (the issues regarding social enterprises) have been introduced in the national legislation.

**Austria:** both Directives have been implemented by the Public Procurement Act 2006. All the main innovative elements (competitive dialogue procedure, eAuctions, central purchasing systems,...) have been introduced.

**Belgium:** a new legislation transposing the Directives has been approved. The failure to respect the deadline is related to the fact that the Belgian procurement legislation has been revised and modernized beyond the requirements of the Community Law. All the main innovative elements have been introduced.

**France:** the Public Procurement Act (Code des Marchés Publics) has been revised to transpose the Directives, all new elements have been introduced.

**Italy:** the transposition process has been delayed by a debate on the distribution of competencies between national and regional authorities caused by the complex institutional architecture resulting from the reform of the national Constitution. In May 2006 a new “Single Act” on public procurement has been approved. The new law introduced all the innovative elements of the Directives.

**Poland:** the new Polish Public Procurement Law entered into force on May 2004, has been amended to transpose the new Directives. The process was delayed by the introduction of substantial amendments, beyond the requirement of the Directives, in order to make Polish Procurement Law more flexible and thus better suited to the use of EU funding. The national law adopt all the new instruments proposed by the Directives. In 2010, significant changes to public procurement law will come into force.

The most important changes include:

- substantial changes to the legal remedies available to contractors, including the repeal of the right to file a protest
- requiring appeals to be heard by single-member panels of the National Appeal Chamber (formerly three members)
- enabling the National Appeal Chamber or court to fine contracting authorities up to 10% of the remuneration under the contract for breaching public procurement law
- restricting the possibility of applying non-competitive procedures (such as single-source procurement) in non-priority services, for example legal services, health and social services

Some of these amendments are intended to implement the EU remedies directive (2007/66/EC).

**The Netherlands:** the Directives were transposed into two separate decrees in 2005. One decree deals with the procurement of goods and services in general, while the other deals with the specific sectors of water and energy provision, transport and postal services. When these two decrees were implemented they replaced the former national legislation. The decrees are very similar to the European Procurement Directives, also introducing the new tools. In 2007, the Dutch Lower House approved a new framework law to create a national legal framework for public procurement. This law would make several adjustments to the existing decrees, as it would introduce new requirements regarding the integrity of companies, renewed eligibility clause, a harmonization of policies applicable to procurements under and above the European thresholds. While the proposal for the new procurement law passed the Lower House in 2007, it was rejected by the Upper House in July 2008. It is unclear how these adjustments to the current decrees will be taken up in future legislation.

**Germany:** only some parts of the Directives have been transposed into national law. The current German procurement law makes no mention of the possibilities to include social and environmental criteria in public tenders. Germany has included the Directive thresholds in its procurement laws. The thresholds are used to determine which national laws or regulations are applicable. The federal procurement law is only in force for procurements above these thresholds, applying both to federal institutions and states and their institutions. The federal law has a so-called “opening paragraph”, allowing states to implement their own procurement laws, as long as they complement the federal law. This makes the current situation highly complex, as there are significant differences between the laws in different states, and because these state laws are also applicable below the thresholds. The federal legislation was in the process of being reformed in 2004, but the proposed law was not followed up by the next government, after the elections in 2005. A new law proposal has recently been drafted, and is expected to pass parliament before the end of this year. This new draft does allow for environmental and social criteria being taken up in the procurement process.

**Spain:** The new law on Public Sector Contracts (no. 30/2007) and the new Law on procurement procedures in the water, energy, transport and postal services sector (no. 31/2007) were adopted on 30 October 2007 and entered into force on 1 May 2008. All the innovative elements have been introduced.

**United Kingdom:** two Regulations, the Public Contracts Regulation SI 2006/5 and the Utilities Contracts Regulations SI 2006/6 completed the transposition of the Directives in England, Wales and Northern Ireland within the deadline. The overall approach to take was subject to a consultation in 2004 and a subsequent consultation on the draft Regulation was undertaken in 2005. Scotland transposed independently the Directives, with two Regulation on contract and utilities, both applicable since January 2006. All the new instrument have been introduced in the text as some of the tools were already in use in the UK.

**Finland:** PP is disciplined by a specific Act since 2001. In order to transpose the Directives was set up a specific working group in 2005. The procedures has been delayed and the final proposal for both directives has been submitted to the Parliament in 2006. The new legislation includes framework agreements, the competitive dialogue procedure, and the Central Purchasing Body.

### **3.3. SOCIAL ENTERPRISES AND DIRECTIVE 2004/18/EC**

Public bodies have been able to link their procurement strategy with their mission to deliver public benefit where they have pursued best value and a joint approach that focuses on the impact or long-term outcomes of service delivery (rather than just the output). This enables them to ensure that community benefit (via social and environmental clauses) is core to anything that they wish to obtain.

This approach to public expenditure allows public bodies to deliver innovative solutions to complex social needs, and provide higher quality, cost-effective public services.

The inclusion of social clauses in purchasing decisions brings many advantages. These include:

- Achieving multiple aims
  - Social clauses achieve multiple outcomes simultaneously, such as purchasing services and tackling employability issues. Used in this way, procurement works as a strategic tool for achieving a wider range of desired impacts.
- Better returns on money spent
  - In addition to the social gains, economic benefits can be substantial too. Recent Social Return on Investment (SROI)<sup>73</sup> research indicates significant welfare and healthcare cost savings. In the long term, added value to taxpayers' money is achieved.
- Strengthening the value base of decisions
  - Public authorities must operate on a strong ethical basis. By stressing social issues, it can be possible to promote the "public good" in a transparent and non-discriminatory manner. Supporting social enterprises that have strong social aims makes sound civic values explicit to everyone.
- Getting better and more innovative services
  - Using social clauses allows service providers with strong social principles a better chance of winning the tender. These service providers often put extra emphasis on service quality and user satisfaction. Social enterprises are often good at combining social and market values with an innovative approach to service planning and delivery.

**Many goods and services can be bought from social enterprises.** They successfully deliver a number of services such as cleaning property and garden maintenance, processing waste for recycling, catering, food production and construction, as well as creating jobs for disadvantaged people. Many other social enterprises achieve their social aims by providing high quality social care services, recycling/reusing goods and materials, and providing financial services in areas that mainstream lenders ignore, affordable childcare, housing and community transport.

Through Directive 2004/18/EC for public works contracts, public supply contracts and public service contracts, the European Union seems to acknowledge and to promote the role of social economy enterprises in some recitals and articles; the directive also emphasizes the social and environmental aspect, encouraging social enterprises to tender:

(1) "(.....) This Directive is based on Court of Justice case-law, in particular case-law on award criteria, which clarifies the possibilities for the contracting authorities to meet the needs of the public concerned, including in the environmental and/or social area, provided that such criteria are linked to the subject-matter of the contract, do not confer an unrestricted freedom of choice on the contracting authority, are expressly mentioned and comply with the fundamental principles mentioned in recital 2."

(18) "The field of services is best delineated, for the purpose of applying the procedural rules of this Directive and for monitoring purposes, by subdividing it into categories corresponding to particular headings of a common classification and by bringing them together in two annexes, II A and II B, according to the regime to which they are subject. As regards services in

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<sup>73</sup> *Social Return on Investment* measures an organization's added value by calculating the social, environmental and economic benefits it creates and by attributing a financial value to them. It is based on standard accounting principles and investment appraisal techniques.

Annex II B, the relevant provisions of this Directive should be without prejudice to the application of Community rules specific to the services in question.”<sup>74</sup>

(28) “Employment and occupation are key elements in guaranteeing equal opportunities for all and contribute to integration in society. In this context, sheltered workshops and sheltered employment programmes contribute efficiently towards the integration or reintegration of people with disabilities in the labour market. However, such workshops might not be able to obtain contracts under normal conditions of competition. Consequently, it is appropriate to provide that member states may reserve the right to participate in award procedures for public contracts to such workshops or reserve performance of contracts to the context of sheltered employment programmes.”

According to the above, the possibility to “reserve” procurement process to non-profit enterprises seems to be recognised.

(33) “Contract performance conditions are compatible with this Directive provided that they are not directly or indirectly discriminatory and are indicated in the contract notice or in the contract documents. They may, in particular, be intended to favour on-site vocational training, the employment of people experiencing particular difficulty in achieving integration, the fight against unemployment or the protection of the environment. For instance, mention may be made, amongst other things, of the requirements – applicable during performance of the contract – to recruit long-term job-seekers or to implement training measures for the unemployed or young persons, to comply in substance with the provisions of the basic International Labour Organisation (ILO) Conventions, assuming that such provisions have not been implemented in national law, and to recruit more handicapped persons than are required under national legislation.”

The above stresses the possibility to introduce social requirements in assessment criteria for procurement in favour of the recruitment and training of socially excluded subjects for EU over-threshold tenders.

(46) (...) “In order to guarantee equal treatment, the criteria for the award of the contract should enable tenders to be compared and assessed objectively. If these conditions are fulfilled, economic and qualitative criteria for the award of the contract, such as meeting environmental requirements, may enable the contracting authority to meet the needs of the public concerned, as expressed in the specifications of the contract. Under the same conditions, a contracting authority may use criteria aiming to meet social requirements, in response in particular to the needs – defined in the specifications of the contract – of particularly disadvantaged groups of people to which those receiving/using the works, supplies or services which are the object of the contract belong.”

Dealing with the articles of the directive, some of them require careful analysis:

#### Article 1, paragraph 4

“‘Service concession’ is a contract of the same type as a public service contract except for the fact that the consideration for the provision of services consists either solely in the right to exploit the service or in this right together with payment.”<sup>75</sup>

#### Article 17

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<sup>74</sup> In Annex II B are indicated, *inter alia*, the following services: hotel and catering services, support and subsidiary services for the transportation sector, employment and personnel recruitment services, education and vocational training services, health, social, leisure, cultural and sport services.

<sup>75</sup> See also the “Interpretive Communication of the European Commission on service concession in European Law”, 12 April 2000.

“Without prejudice to the application of Article 3, this Directive shall not apply to service concessions as defined in Article 1(4).”

#### Article 21

“Contracts which have as their object services listed in Annex II B shall be subject solely to Article 23 and Article 35(4).”<sup>76</sup>

#### Article 26

“Contracting authorities may lay down special conditions relating to the performance of a contract, provided that these are compatible with Community law and are indicated in the contract notice or in the specifications. The conditions governing the performance of a contract may, in particular, concern social and environmental considerations.”

#### Article 19

“Member states may reserve the right to participate in public contract award procedures to sheltered workshops or provide for such contracts to be performed in the context of sheltered employment programmes where most of the employees concerned are handicapped persons who, by reason of the nature or the seriousness of their disabilities, cannot carry on occupations under normal conditions.”

This article seems to consider the possibility, after the application of the directive, to use reserved procedures for over-threshold tenders in the context of sheltered employment programmes or sheltered workshops.

However, it is important to understand correctly what the EU means by “sheltered workshops” and “sheltered employment programmes”, since the sentence: “may reserve the right to participate in public contract award procedures to sheltered workshops or provide for such contracts to be performed in the context of sheltered employment programmes” is likely to give different meanings to the two definitions. As the correct comprehension of Community terminology is essential when we talk about “sheltered employment”, we refer to Commission regulation (EC) 2204/2002 of 12 December 2002. Regarding the application of articles 87 and 88 of the EC treaty on state funds in favour of employment, article 2 – Definitions (h) – defines “sheltered employment” as an employment in a plant where at least 50% of the employees are handicapped people who are not able to work in the open labour market. The correct definition of “sheltered workshops” must be clarified, given that is not present in the above regulation.

Another definition to consider is “handicapped”. Regulation 2204/2002 (article 2 – Definitions (g)) defines “handicapped worker” as:

- any person who is recognized as handicapped according to the national legislation, or
- any person who is suffering from a serious physical, mental or psychic handicap;

Now, unless the definition of sheltered work is clearly understood, it seems that over-threshold tenders for reserved participation in public contract award procedures are appropriate only for employments which aim to recruit 50% or more of handicapped people, and not just disadvantaged people.

This peculiarity involves the risk of regression, with regard to what has been achieved over the years by the social economy, for example in Italy, where the special treatment allowed to B-type social co-ops by law 381/91 makes Italy the European pioneer of using public procurement as a tool for social and work integration. This is because it provides a typology of services for non-profit organizations, which creates the risk that workshops will be set up simply to recruit “handicapped workers”, generally considered as being unable to carry out a

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<sup>76</sup> Article 23: Technical specifications; article 35, paragraph 4 “notice on the result of the award of a public contract or of a framework agreement.”

“professional activity in normal conditions”, instead of enhancing the workshops’ role as entrepreneurial instruments that, thanks to their specific features, assert the right to work for the weakest segments of society in “normal condition” in the market.

It should be borne in mind, however, that the specific purpose of the distinction between the notions of “disability” and “disadvantage” defined in the above-mentioned European Regulation is to avoid the granting of state aid in all cases not linked to objective situations that justify the failure to comply with the fundamental principles of the Treaty (in particular the principles of non-discrimination and freedom of movement).

In this case – that refers to the legitimacy of reserved contracts and does not concern the principles mentioned, but only that of competition – probably it would be necessary to establish a proper procedure to adopt a notion of “disability” wider than the one described in the EC Regulation on state aid when the use of the notion of “*sheltered workshops*” or of “*sheltered employment programmes*” is legitimate (this is to say that the Commission should refer to a notion of “disability” including at least the most serious situations of social disadvantage listed in the regulation on state aid).

***A possible model: the logical process leading to the application of procedures regulating the relation between public authorities and social enterprises cannot be exclusively based upon administrative procedures.***

The object of this reflection must be the *values to promote*, the needs to fulfill and the targets to achieve.

The normative/administrative aspect of the specific procedures must be interpreted within the wider context which is characterized by the so-called best administration principle and can be systematically “read”, considering the specific norms which tend to characterize the procedure in accordance with the purpose of the administration.

The steps of this concept can be summarized in the following phases:

<p>1) VALUE</p> <p>What is the value to promote?</p> <p>What is the problem requiring a response?</p> <p>What is the target to achieve?</p>
<p>2) CONTEXT</p> <p>What is the preferred kind of response?</p> <p>What is the real action to express the above-mentioned value?</p> <p>What is the practical action to be performed to achieve the target?</p>
<p>3) GENERAL PROJECT</p> <p>Not considering the norms currently regulating the relationship between public authorities and social enterprises, what is the best process to promote this value and to give a response to this problem?</p> <p>Actors, resources, competence, who is doing what, how this will be done, all these aspects must be established.</p>
<p>4) WHAT KIND OF LEGAL RELATIONSHIP – MAIN ASPECTS OF THE RELATIONSHIP</p>
<p>5) THE ADMINISTRATIVE PROCEDURE AND ITS PROBLEMS</p>

The distinction between the 4th and the 5th phase, that is to say between substantial aspects of the relations and procedural problems, is particularly complex and needs clarification. We can explain the difference between these two aspects in the following way:

Substantial aspects of the relationship ↓	Procedural problems ↓
Consist of the practical contents of the relation, that is to say, the mutual obligations of the parties	Consist of the procedure that identifies the winning bidder, if more than one bidder aims (or would aim, if properly informed and suitable) to win the contract

The substantial aspect deals with the contents and the legal relationship between public authorities and social enterprises. It could be, for example, a relationship made up of mutual obligations regarding the signing of a contractual agreement to provide services, a contract, or a kind of relationship where the project carried out by a social enterprise, which has itself defined the project, is the condition to access public support, including financial support.

According to the logical part of the question, conferring the proper legal form on a legal relationship should be the result of the definition of substantial elements; nevertheless, the (possibly) necessary procedures to identify the possible winner among the competitors should be established after considering and solving the problems regarding the nature of the relationship and its legal form.

### **3.4. THE COMPETITIVE DIALOGUE AND NEGOTIATION AS A TOOL TO AWARD COMPLEX, LONG TERM AND HIGH VALUE CONTRACTS : PPP - PUBLIC PRIVATE PARTNERSHIP AND PSPP – PUBLIC SOCIAL PRIVATE PARTNERSHIP**

The competitive dialogue, foreseen in the EU Directives on Public Procurement, is a new tool added to the arsenal of procurement procedures to provide an alternative to the growing use of negotiation on complex projects, and to make better use of the private sector's role in delivering innovation.

The use of competitive dialogue is expected on projects where the client is able to state its requirement at the outset, but either cannot or does not want to define what the solution should be. This need to keep options open can stem from technical, legal or financial issues such as alternative design solutions, risk allocation arrangements and so on.

Despite the substantial difference in process between negotiation and competitive dialogue, the outcome should be similar: an affordable and compliant preferred bid on which the parties can proceed to contract.

The benefits from competitive dialogue are primarily related to the more detailed testing of the preferred proposal. In practice, the application of competitive dialogue has also revealed the following benefits:

- Both the client and the delivery partner have greater confidence in the quality of the solution and the submission, particularly if it has been progressively tested during the dialogue process.
- Competitive dialogue does generate alternative design proposals, giving greater potential for added value in project delivery.
- The iterative process of solution development fits well with the development of solutions to the complexities of PPP, which involve issues of educational policy, land swaps, design and facilities management, hard and soft service delivery and so on.



### 3.4.1. Public Private Partnerships

A public-private partnership (PPP) is a contractual agreement between the public and the private sectors, whereby the private operator commits to provide public services that have traditionally been supplied or financed by public institutions. The ultimate goal of PPPs is to obtain more “value for money” than traditional public procurement options would deliver. When correctly implemented, PPPs are said to produce reduced life-cycle costs, better risk allocation, faster implementation of public works and services, improved service quality and additional revenue streams. From a theoretical view point, the main justification for the adoption of a Public private partnership is the possibility to exploit the management qualifications and the efficiency of the private sector without giving up quality standards of outputs, thanks to appropriate control mechanisms from the public party. To this end, the core principle of PPPs lies in the risk allocation between the two parties. A well designed PPP redistributes the risk to the party that is best suited to manage it and to do it with the least cost.

PPPs have been successfully employed to provide road and railway infrastructure, waste and water management, healthcare and school buildings. Possible trends in European PPPs are related to their potential expansion to different sectors. However, it remains to be seen if PPPs are really capable of ensuring value for money in areas closely linked to the core competences of the public sector, such as clinical services, education or prison facilities. In this respect, European member states have widely differing approaches to PPP schemes, with some very active countries like the United Kingdom and France and others lagging behind such as Belgium, Finland and Greece. The future expansion of PPP arrangements will mainly depend on the success or failure of existing pioneer projects and on the political will and support expressed at national level for this type of scheme.

### 3.4.2. Public Social Partnerships

Partnerships between social economy organisations and governments are increasingly considered by European governments to be an efficient way of tackling social exclusion. Public Social Partnership (PSP) is a new approach to public social service delivery, based on the model of the PPP. The most successful examples of PSP are founded upon a co-planning approach, whereby partners from the public sector and the social economy sector share responsibility for service design, in order to optimize outcomes for service users.

During the development of the activities of the EQUAL Initiative, many Development Partnerships (DPs) had the possibility to provide funding and support to PSP pilots. The approach adopted was influenced by ongoing development work in PSP and the experiences of co-planning in some European countries, particularly Italy.

As early as the year 2000, the Ministers of Social Affairs of Denmark, the Netherlands, the United Kingdom and Ireland established an informal network to initiate an ongoing discussion between the four European governments and the European business community on the furthering of partnerships to address societal problems. The intention was to broaden the network on both political and organisational levels and involve more governments in the process. The declaration *Government as Partners – Fostering Public-Private Partnerships for an Inclusive Europe* speaks of “recognising the need for European governments to develop enabling frameworks for effective public-private partnerships to emerge, develop and grow as well as initiatives to scale-up and transfer experience on successful partnerships in Europe.” As part of this development, the *European Centre for Social Welfare Policy and Research* was commissioned by the Dutch Minister of Health, Welfare and Sport (Directorate of Social Policy) to conduct the study *Building Bridges for New Social Partnership*.

In the same year 2000 the Italian Government approved law 328/00 (social services reform) whose article 1 states that “*The programming and the organising of the system, according to the principles of subsidiarity, are the task of the local and national public authority that must facilitate non-profit organisations. These, together with public and private organisations manage and supply the services. Social solidarity has to be promoted, increasing the value of the initiatives of persons, families, self-help and mutuality*”.

This law – as specified in the section on *piani di zona* – clearly establishes that public authorities have to work with social economy organisations through local committees composed of representatives of the local authorities, social economy organisations and trade unions to draft social policy at the district level (co-planning); the same subjects have to implement the services for the clients (co-programming).

As often happens with many key-words (especially in the social economy field), the term *Public-Social Partnership* has various meanings in different countries and social contexts, and is therefore often unclear or even misleading. The Copenhagen Centre – which is playing an important role to promote *PSP* on a European level – defines it as follows:

*“People and organisations from some combination of public, business and civil constituencies who engage in voluntary, mutually beneficial, innovative relationships to address common societal aims through combining their resources and competencies.”*

*PSP* aims to achieve societal benefits through joint voluntary action between the public, the business and the non-profit sectors. Some examples:

- Businesses, social enterprises and local government bodies join forces to re-integrate the long-term unemployed into work and society.
- Social enterprises and local government bodies join forces to find an adequate answer to the demand for community services.
- Businesses work with schools to build more effective bridges for students to the workplace.
- National governments encourage businesses to come together with NGOs and trade unions to improve labour standards in global supply chains.
- Volunteers from business work to build the strength of, and learn from, community organisations.”

It is important to consider also the open question of including the debate on Public Social Partnership in the more general one on Public Private Partnership as defined by the European Parliament non legislative resolution on public-private partnerships and community law on public procurement and concessions (2006/2043(INI)). Reading the resolution it is possible to understand that there is an important connection between the existing rules on the topic and the orientations followed by the European Court of Justice.

The added value is evident, since it pays attention – in a transversal way – to the different ways to create alliances between public and private sector. It is evidently a delicate issue, which becomes even more delicate when these alliances concern services related to citizens’ rights; consequently it is necessary to take into account the different national experiences as well as the different models which are the core of this relationship system and organisational model.

### **3.5. STATE OF THE ART AND ACTIONS ALREADY TAKEN**

The European Commission (its DG for Employment, Social Affairs and Equal Opportunities and its DG for Internal Market) is writing a guide on the social considerations in public procurement. The attention of the involved DGs was driven by the fact that the 16% of the GDP of the EU comes from public procurement, there was considerable scope to leverage the willingness and competence of private sector goods and services suppliers through socially-responsible tendering.

Given the need for legal guidance for contracting authorities, the Commission services decided to write a guide, in order to explain in a practical way the possibilities offered by the existing Community legal framework to take the social considerations in their public pro-

curement into account. In order to have a better view of the existing practices and difficulties in implementing socially-responsible public procurement, the Commission services launched a study in 2009, the results of which are currently being used to write the guide. The publication of the guide was expected in the autumn of 2009, but it has been delayed and it will be published during the first months of 2010.

Several good practices, especially within the projects lead in the frame of the EQUAL Programme, have been trialed in different European countries in order to foster local authorities' capacity to promote responsible public procurement and PSP especially in the field of social services.

Regarding the purchase of social services, European countries have traditionally organized the delivery of social services in many different ways, which can be classified in two broad methodologies: **public programming regulation and market based regulation**.

The **public programming approach** is based on budgetary planning by the authorities and on certification and control procedures. What this means is that public authorities impose quality standards, define the needs to be met and authorize the providers to deliver services. For- and nonprofit organizations, as well as public organizations can be involved in public programming regulation. Two different systems can be distinguished here:

- A regulatory system of **accreditation** (as in France, Italy, Poland, or the Netherlands, for example), through which providers have to be registered with the public authorities to create, extend or run social services;
- A system of **delegation** (in Germany, Italy, the Netherlands, Sweden, for example). In this case, the authority delegates to the co-contractor responsibility for providing a service over a period of time. Traditionally, the authority has thus complete freedom of choice of its co-contractor. There is a recent tendency, however, to impose some prior publicity requirements.

In many countries, however, a **mixture of approaches** is used. Sometimes accreditation is followed by **licensing**: services need to be accredited in order to apply for a license to actually deliver a specific type of service. In other countries, accreditation is a pre-condition for participation in procurement exercises.

The **market based regulation approach** is evolving in Europe. Market principles come into play to improve public sector management and increase the efficiency of service provision, in a user-oriented way. Three different systems can be identified:

- The creation of **quasi-markets**: the public authority allows competition but may also orient demand, affect price formation and ask for quality guarantees;
- **Vouchers** systems, used in the Netherlands, Germany or Italy. They grant a limited purchasing power to the users to choose among a restricted set of services.
- The use of **formal tender procedures** is widely developed in the UK, but it is not as well rooted in other countries, and some (France, the Czech Republic, Germany) almost do not use it, except in specific fields.

The Equal Programme gave some Development Partnerships the possibility to experiment some innovative and interesting solutions, such as:

## **BELGIUM – FLANDERS**

The project **SPS-W - a Special Planning Scheme concerning Work** aims at encouraging companies and authorities to assume their social responsibility within public procurement of building or infrastructure through the provision of training and work opportunities to unemployed and underprivileged people.

To achieve this, the city of Antwerp cooperates with local social partners from the building sector (employer organizations as well as trade unions) and the FVB (fund for vocational training in the construction industry).

Before starting the construction of the Oosterweel link as part of the Antwerp Mobility master plan, the Flemish government, its representative (BAM), the local authority (city of Antwerp), the VDAB (Flemish Employment and Training Service) and the partners in the building sector want to consult with the contractor of the planned infrastructure to create a proactive and systematic approach. An Action plan was developed to identify:

- the needs in terms of jobs in order to understand to what extent the Mobility master plan can contribute to the involvement of semi- and unskilled workers;
- the role of the different partners (local authority, contractor, training provider)
- the necessary external financial means to achieve the multiple objectives.

The results of the project have been compiled in the publication “**Bruggen naar Werk**” (available in Dutch only). It contains advice on the application of developed insights and methods for future public procurement. It deals with:

- The “leren op de werf” (learning on site) model and what it means for trainees, companies, the sector, etc.
- Added value for client and contractor
- Possible legal public procurement interpretations and their consequences.

## THE NETHERLANDS

In the Netherlands, the Ministry of Environment and Spatial Planning has put sustainable procurement among its top priorities. The overall objective is to foster sustainable development by adding sustainability criteria (social and environmental) to the requirements in the procurement process. The national government wants to set a good example by reaching 100% of sustainable public procurement by 2010, while the provinces should attain 50% and municipalities 75%.

Sustainable procurement aims at selecting sustainable high performers, thus promoting CSR.

Criteria for sustainable procurement are being identified for 80 groups of products and for the whole chain of suppliers. The process involves all the different stake-holders. The process is governed by a Steering Group composed by the representatives of three ministries, provinces, municipalities, waterboards and two big spenders. Ad hoc consultation is carried out with specific ministries and relevant policy officers in the government. For each product group a consultation platform involves in the planning phase trade unions, private enterprises and NGOs. Information on criteria is disseminated through umbrella organisations, chief procurement office, department of durable management and Pianoo (information centre on public procurement).

## ITALY

Social clauses were introduced in Italian legislation as early as in 1991. **Law 381/91** which regulates social cooperatives states that type B social cooperatives (work integration cooperatives having at least of 30% of disadvantaged workers) can receive public contracts under the European size threshold without tendering (on the basis of direct agreements) because of their social objectives.

Since then, many social cooperatives, directly or through consortia, manage municipal services (cleaning, gardening, etc.) on behalf of public authorities.

The municipality is a key player in developing the approach of linking contracts to their policy of social inclusion. The role of the consortium is also key in developing the ‘operational protocol’ which governs the contract. In general, this covers the specific goal of labour market integration, the number of people to be integrated into the workforce and the need for economic and social accountability.

The municipality and the consortium work together to develop shared procedures for workforce support, integration and evaluation. This is key to ensuring that the contract runs

effectively for all parties. The municipality and the consortium develop shared procedures on the basis of equality and mutual respect.

It has been identified that this joined-up approach to service delivery has meant savings in economic terms. This joint planning approach is a key driving force of entrepreneurial activity. The inclusion of disadvantaged people within the workforce of social cooperatives providing a good quality product to a public administration is one way that social clauses can be introduced into contracts.

A second possibility has been introduced by the **law 328/00** which sets up a voucher system and provides for **joint ‘negotiated planning’** in areas such as child and elderly care, handicap, mental illness, immigration and poverty. It works through local committees (*tavoli*) comprising representatives of the local municipalities, third sector organisations and trade unions. These committees decide social policy by writing ‘area plans’ (*piani di zona*) at the district level, and typically cover a population of several hundred thousand people.

## UNITED KINGDOM

In the UK, the role of SMEs and social enterprises has been recognized as part of the ‘sustainable procurement strategies’ that the UK government has encouraged local authorities to adopt.<sup>77</sup> The Sustainable Procurement Information Network (SPIN)<sup>78</sup> relates how authorities should “include in invitations to tender/negotiate for partnerships a requirement on the bidders to submit optional, priced proposals for the delivery of specified community benefits which are relevant to the contract and add value to the community plan”. These benefits include diversity and equality, job satisfaction, regeneration, local employment, training, social cohesion and “local distinctiveness and neighbourhood vitality (the LM3 approach)”. In particular, “social enterprise is fostered and encouraged as new way of delivery and adding value to delivery of services”.

As part of the work of the *Social Enterprise Partnership* EQUAL project, the Social Enterprise coalition wrote a handbook entitled *More for your Money: a guide to procuring from social enterprises*. It followed this up in 2006, during the UK’s EU presidency, with a policy seminar called *Getting Best Value*.<sup>79</sup> As part of the national programme for Third Sector Commissioning,<sup>80</sup> the Office of the Third Sector has subsequently commissioned the IDEa, the Improvement and Development Agency,<sup>81</sup> to deliver training to 2,000 local government officers.

Several specific tools have been developed to help officials. As part of the EQUAL project *BEST Procurement*, Northampton County Council has created an online self-tutoring course aimed at local authority officials called *Specification Writing for Community Benefits*.<sup>82</sup> It comprises three modules, each of which takes about 45 minutes to go through:

1. Understanding community benefits
2. Procurement (overview of procurement for those not involved day to day in procurement)
3. Achieving community benefits

It includes exercises such as analysing the economic, social and environmental benefits that accrue from using a worker co-operative bicycle courier service. It can be freely accessed by anyone who registers.

## AUSTRIA

In Austria the EQUAL DP **PSPP (Public Social Private Partnership)** dealt with the subject of partnerships between state agencies, private enterprises and social enterprises to provide better and innovative services and to achieve social and ecological goals. The essence of

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<sup>77</sup> National Procurement Strategy for Local Government, 2003

<sup>78</sup> <http://www.s-p-i-n.co.uk>

<sup>79</sup> [http://ec.europa.eu/employment\\_social/equal/data/document/etg2-med-093-procurement.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-med-093-procurement.pdf)

<sup>80</sup> [http://www.cabinetoffice.gov.uk/third\\_sector/public\\_services/commissioning.aspx](http://www.cabinetoffice.gov.uk/third_sector/public_services/commissioning.aspx)

<sup>81</sup> <http://www.idea.gov.uk/idk/core/page.do?pagelId=6583598>

<sup>82</sup> <http://www.specification-writing.info>

PSPP is the involvement of social enterprises and their ability to couple 'welfare' services with commercial business activities.

The model of PSPPs meets the challenge of social and sustainable responsibility by means of an interplay between three essential roles simulating the supply and demand relationships of a classical market.

#### Role 1: Overall Leadership: Project Idea and Operation

Project leadership can be divided into two phases: pre-partnership and operational. The pre-partnership phase consists of conception, design and research leading up to a feasible partnership proposal. The operational phase is when the partnership is up and running and requires day-to-day management. Usually, the social enterprise will adopt the leadership role in both phases because only it has the right combination of expertise to deal with both commercial and state organizations and, most importantly, it knows the social target group best.

#### Role 2: Investor: Set-Up Finance

Most social enterprises are not rich in assets and need outside investment to realize any new substantial projects. The role of investor is therefore filled by either the private or public partners. A common way of sharing this role would be when a private financial institution gives a loan for a project and a state agency provides a guarantee as security for the loan.

#### Role 3: Customer: Ensuring Revenue Flow

A PSPP may result in products or services that are sold to external customers in a normal market situation, but usually the public or private partners will exercise a customer role, thus guaranteeing demand and revenue for the project.

### **3.6. PROBLEMS AND POSSIBLE SOLUTIONS**

**Low involvement of public procurers and relevant stakeholders.** The new approach to public expenditure could allow public bodies to deliver innovative solutions to complex social needs. To be really effective, public bodies have to ensure the involvement of public procurers, businesses and NGOs in order to get new, demand-driven and practical ideas and secure their commitment, a pathways to reach this result could be the setting up of permanent tools of consultation (some experimentations have been done in some EU Member States: Observatories, information centers, Local Planning groups - some of them are quoted before).

**Lack of information and support for public procurers.** Specific information tools for Social Responsible Public Procurement that provide public procurers with high quality and up-to-date support for their specific concerns. The information provided should be concrete and easily applicable in the day-to-day activities of public procurers (in some Member States, especially in the United Kingdom, but also in Ireland, Belgium, Sweden, Netherland,... have been published some specific guidelines to Social Responsible Public Procurement – and in many cases guidelines to Public Procuring from Social Enterprises ).

**Less experience of new EU Member States.** An increased exchange of experiences with the European Commission and other countries (e.g. in workshops), in particular regarding the development and implementation of Sustainable Public Procurement National Action Plans will help these country to improve their Sustainable procurement procedures.

**Assumption that this kind of procurement is more/too expensive.** Frequently sustainable procurement may be connected to higher costs and may, therefore, be uneconomical or beyond budget constraints. The development of a communication system and the spreading of information about the social and environmental added value of this way of public procuring will be useful to overcome these convictions.

**Qualification and support.** This is a relatively new topic, and public procurers are often not aware of the possibilities that they have. Specific training course and thematic workshops will help to overcome this problem.

**Legal concerns.** Often public procurers hesitate to implement sustainable procurement because of legal concerns. Awareness raising campaigns and training could address this obstacle.

**Political Commitment.** The political commitment to sustainable procurement is sometimes weak or missing altogether. Impact indicators could be used to measure the cost effectiveness of sustainable procurement as well as the added value for the community. Both elements have a positive impact on the image and reputation of politicians.

**Problems connected with the definitions of the Directives.** Particularly referred to the *Sheltered Workshops and Sheltered Employment Programs*. It is important to understand correctly what the EU means by “sheltered workshops” and “sheltered employment programs”. The article seems to give different meanings to the two definitions (see above). Other problems to solve regards the definition of “handicapped people” and the difference between “disability” and “disadvantage”. A possible solution for this problem could be the constitution of a group of experts of different member states that analyze the situation in each Country trying to suggest to the Commission some possible solutions, in particular regarding the correct interpretation of “sheltered workshops”. They are simply a way to recruit handicapped workers, unable to carry out a “professional activity in normal conditions”, or they are an entrepreneurial tool to assert the right to work for the weakest part of the society in “normal condition” in the market?

### 3.7. STAKEHOLDERS TO BE INVOLVED

SRPP is an issue of interest to a wide range of stakeholders, which need to be involved in the process of developing a SRPP approach in order to gain confidence in it and get committed to the achievement of its objectives. **Key stakeholders for SRPP include government representatives at central, regional, local level, representatives of potential suppliers/contractors, representatives of the civil society, representatives of employers' organizations and trade unions.** Workshops, seminars, conferences should be organized in order to gather views and opinions on documents laying down the draft approach for SRPP. They should be organized at various stages of the development process, i.e. at the very start of the process when ideas are formulated, during the course of drafting the approach and towards the end when a final draft can be made available.

Finally, effective communication about SRPP benefits, good practices, quick wins/success stories also place a key role in achievement of progress. Communication should also involve a wide range of stakeholders. It is very important that all these stakeholders understand the nature of the challenge and their roles within it. Better results will be achieved through imaginative and committed partnership working between purchasers and contractors.

Cooperation between purchasing authorities is another way of increasing access to social expertise and know-how, and of communicating the policy to the outside world.

### 3.8. GOOD PRACTICES

The scope of this paragraph is to give to the readers a **non-exhaustive** list of some selected experiences all around Europe. The list includes different types of public SPP initiatives.

**SPIN** Sustainable procurement information network [www.s-p-i-n.co.uk](http://www.s-p-i-n.co.uk) a website dedicated to supporting local authorities in their efforts to procure sustainably, and provides a 'one-stop' website containing the very best information relating to the sustainable procurement agenda.



**The Network for Public Procurers (PIANOO)** is an important network for public procurement in the Netherlands. It was established in 2005 as a follow-up to the increasingly professional approach to public procurement in the context of the Directives. The network fosters the exchange of information mainly via its homepage at [www.pianoo.nl](http://www.pianoo.nl). Although the network focuses on public procurement in general, Sustainable Development issues are covered as well.

**ITACA** Istituto per l'Innovazione e trasparenza degli appalti e la compatibilità ambientale [www.itaca.org](http://www.itaca.org).

**Sequovia, facilitateur du développement durable pour les entreprises et collectivités** [www.sequovia.com](http://www.sequovia.com).

The **RESPIRO** project [www.respiro-project.eu](http://www.respiro-project.eu) aims to encourage an exchange of experiences in including social and ethical requirements in procurement actions both between public and private sector purchasers and potential suppliers.

**Ecosmes** [www.ecosmes.net](http://www.ecosmes.net) providing of information about green procurement.

**Action Sustainability** [www.actionsustainability.com](http://www.actionsustainability.com) is a not for profit social enterprise registered as a Community Interest Company. They provide consultancy, training, benchmarking, research, case studies and support. In addition, they support and facilitate the Strategic Supply Chain Group, a leading authority on sustainable procurement.

**Newlife Regeneration Construction Ltd** [www.newlife-build.co.uk](http://www.newlife-build.co.uk) its aim is not just about to provide high quality services for clients but also, as a social enterprise, about helping communities.

**Nobina** [www.nobina.com](http://www.nobina.com) a public transportation company in the north European Region.

**Hill Holt Wood** [www.hillholtwood.com](http://www.hillholtwood.com) has contracts with local authorities, schools and the Learning and Skills Council to work with excluded youths.

**The Tower Hamlets Community Recycling Consortium** <http://www.thcrc.co.uk> illustrates how contracting with a consortium that includes local residents has enabled the local authority to meet recycling targets despite the problems associated with doorstep recycling services for high-rise housing.

**ECT Group** <http://www.ectgroup.org.uk> ECT Group consists of five separate companies: Ealing Community Transport, ECT Recycling, ECT Engineering, ECT Bus and Lambeth Community Recycling. The group employs more than 550 staff and provides recycling and community transport services for eighteen local authorities, half of them outside London.

**Bulky Bob's**, <http://bulkybobs.co.uk/default.aspx>, based in Liverpool, has contracts with several local authorities in the north west for bulky household waste collections.

**Delphis Eco** cleaning service [www.delphisworld.com](http://www.delphisworld.com)

The **EKU Tools** [www.eku.nu](http://www.eku.nu) is the Swedish platform for GPP. The EKU website offers various background information and documents on GPP.

## 4. SOCIAL FRANCHISING

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### 4.1. CONTEXT

Social franchising means **using and developing the franchising method to achieve social goals**.

Social Franchising can be defined as the adapted usage of business tools for non-profit (we use term more than profit in UK as social enterprises are profit making) projects. At the workshop held by the German Foundation for World Population in 2000, a Social Franchise system was defined as: [...] *a process by which the developer of a successfully tested social concept (the franchisor) in order to scale up the coverage of target group the quality of product (service), enables others (the franchisees) to replicate the model, using the tested system and the brand name in return for social results, system development and impact information*<sup>83</sup>.

According to this definition, social franchising has been applied especially in the field of Health Care in developing countries.

In the most recent years the concept of social franchising has been more and more associated to social enterprises and proposed as a tool for their development. It is about **spreading experience from successful social enterprises** so that more people become employed. And that these companies apply democracy in such a way that the potential of all employees is developed. Social franchising also builds a community by stimulating contacts among employees in different companies and efforts toward common goals.

*“SOCIAL FRANCHISING is a term increasingly used to describe the process by which social enterprises replicate their successful business formulas...It's based upon the concept of franchising in the commercial sector, associated with the growth of some of the world's best known high street brands. Franchising enables rapid growth by enabling individuals to buy a proven business format and run it as their own business... In the social economy, Social Franchising is used more broadly to describe a wide range of replicated social businesses often using franchising, licensing or partnership to build networks around a common proven formula.”*<sup>84</sup>

It is possible also to see *social franchising* as **a subset of a range of replication methodologies**.

**Replication** can be characterised by the following:

1. The originators of the business idea or developers of it are actively involved in promoting the business idea → It is not a passive process;
2. They will benefit from the business idea being replicated. → This benefit could be, for example, in the form of fees or creating a stronger business or brand;
3. *Replicated companies* will have some independent management and ownership, probably at least 25%. → The businesses will have some independence from the core and will not be, for example, a retail chain.

Replication can be accomplished through different paths. The **Franchise approach** is the closest to the private sector in both policy and practice. It assumes that there is a programme which can be replicated. The components of this prototype programme and performance

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<sup>83</sup> Julia Meuter, Social franchising, the Berlin Institute for Population and Development, 2008 <http://www.berlin-institut.org/>

<sup>84</sup> in *SIPS Transnational Partnership. Sustainable Business Concepts for the Social Economy*, Sharing Identifying Promoting Supporting (SIPS), 2007, p. 26

standards are largely fixed. There is a central agency which provides technical assistance, marketing, training and other services.

Since replication leads to increased cooperation and more contracting in the non-profit sector, concerns with branding and quality standards are growing. The use of a common title for a certain project or programme and tighter control becomes more important. These factors may have contributed to the interest in franchising as a model of replication. While franchising has been an effective strategy for replicating successful concepts for over 80 years in the commercial world, it has so far not been greeted with much enthusiasm in the non-profit sector. The idea of taking on somebody else's project or, conversely, letting someone else carry out their own initiative, remains problematic for many actors in the third sector. Furthermore, the term franchising often conjures up images of "McDonaldisation" – of a "onesize-fits-all" replication of a concept with standardised procedures and services, which is generally regarded as inappropriate in the social sector.

According to the founders of the European Social Franchising Network<sup>85</sup>, social franchising is based on the concept of a Consortia approach to business development, as used in Italy. This social cooperatives coming together as part of Consortia or federations and initiating new enterprises themselves rather than, for example, in the UK where business development is usually by individual agencies or individuals, has helped Italy grow the largest social enterprise sector in Europe. From their side, Italian consortia never thought themselves as a model of social franchising, since they perceived franchising as a commercial tool to promote standardisation. Only during last years, Italian consortia have started to develop trademarks and manuals aiming at recognising the quality of services provided and facilitating the replication of successful practices (see Comunità solidali example).

## 4.2. HISTORICAL OVERVIEW OF ACTIONS ALREADY TAKEN

In Europe the use of social franchising as an opportunity to increase the sustainability, effectiveness and growth of social enterprise started to emerge during the Equal programme.

During the **first round of the Equal programme** (2001-2004) some projects (Albergo via dei Matti N.O, Create, Peiran) investigated the use of a franchise model to replicate successful examples of social enterprises and produced some tools<sup>86</sup>.

Within the European thematic groups, a working group on social franchising was held during the seminar on "entrepreneurship for all" held in Brussels in October 2003 and a second one took place during the conference on "Strengthening the social economy" held in Antwerp in May 2004.<sup>87</sup>

The European Commission Communication establishing the guidelines for the second round of the Community Initiative Equal concerning transnational co-operation to promote new means of combating all forms of discrimination and inequalities in connection with the labour market "Free movement of good ideas" (COM(2003) 840 final of 30.12.2003) mentioned the usability of franchising in the social economy<sup>88</sup>, namely to include disadvantaged workers, impart professional skills and be economically viable. The Communication mentions the possibility to extend this approach to new business fields and that this work could have a structuring effect in that at the end of the programme there would be a European franchising structure owned by social economy actors.

During the **second Equal round** many projects (U Pana Cogito, Vägen ut, CASA, GEPETTO, INCUBE, INSPIRE) proposed social franchising as a method to develop social

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<sup>85</sup> European Social Franchising Network Development Plan, <http://vagenutsidor.se/esfn/Download/DevelopmentPlan.pdf>

<sup>86</sup> 4 Le Mat manuals : the hotel franchising of social entrepreneurs

<sup>87</sup> [http://ec.europa.eu/employment\\_social/equal/activities/etg2\\_en.cfm](http://ec.europa.eu/employment_social/equal/activities/etg2_en.cfm)

<sup>88</sup> See Paragraph 6.1.11. Social Economy to create more jobs and enhance their quality

enterprises in several sectors. The concept become widely widespread and different tools and studies were implemented<sup>89</sup>. The Le Mat Europe and the European Social Franchising Networks were set up in order to continue and expand the work done within Equal.

The **European Social Franchising Network** was launched at the meeting of the European Parliament's intergroup on the social economy on 10th October 2007 and during the Social Economy Week organised by the European Parliament and Social Economy Europe in May 2008.

**Outside Equal**, the main developments of social franchising took place in the **UK**, through CAN's Beanstalk, a national social franchise programme ([www.can-online.org.uk](http://www.can-online.org.uk)) that ran in 2005-2007 and provided advice and support to established and successful enterprises on growth using franchising and other forms of replication working with Comecon.

There are also **wider but related developments**. Potentially confusingly, organisations in the voluntary and community sector have begun to develop their own approach to social franchising, with organisations like One World in the UK and many others from Europe and the USA being involved. The British Trust for Conservation Volunteers (BTCV) has also franchised its Green Gym concept.

On an international scale, there is an American based consultancy named Social Franchise Ventures whose mission is: *to support non-profit organizations in identifying appropriate franchise partners, negotiating favourable relationships, launching and growing strong social franchises*.

Social franchising is also gaining **worldwide recognition**. The United Nations Secretary-General published a report focusing on the role of co-operatives in promoting full and productive employment, highlighting the success of the Le Mat social franchise as a means of scaling up a successful model.

#### 4.3. STATE OF PLAY

After the end of the Equal programme, not many concrete actions were carried out to foster the development of social franchising. The concerned actors have great expectations form the work to be developed by the Learning for Change Network. At national level, not many ESF programmes provide specific support for social franchising.

An exception is the ESF funded North West Transnationality, Mainstreaming and Innovation programme in the UK, which provides about £24,000 to fund UKSFN. The UKSFN is going to be launched soon in partnership with Social Enterprise Coalition. Gerry Higgins of CEIS (<http://www.ceis.org.uk/index.php>) produced a report of social franchising in Scotland (not yet available at website).

There are a growing number of social franchises and also existing social franchises have grown – e. g. Option C now has 15 car clubs, CASA operates in five areas and Community Renewable Energy has set up in North West as well as North East.

In Italy Le Mat ([www.lemat.it](http://www.lemat.it)) became a Consortium aiming at promoting and developing the Le Mat's quality trademark throughout an innovative social franchising method together. It acts as a specialised agency for the development of sustainable tourism and social inclusive entrepreneurship on local level and provides training for social inclusive entrepreneurship and support to start up and development of cooperatives and social enterprises. Le Mat stake- and shareholders are social co-operatives working in the field of tourism and some development agencies for social enterprise and local sustainable development. Le Mat was

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<sup>89</sup> *SIPS Transnational Partnership. Sustainable Business Concepts for the Social Economy, Sharing Identifying Promoting Supporting (SIPS).*

registered as a European Trademark for quality hospitality and sustainable and community tourism.

At European level, in 2007 Le Mat Italy promoted the creation of Le Mat Europe, in collaboration with Le Mat Sweden (constituted in the same year) in order to promote the Le Mat social quality mark all over Europe - [www.lemat.coop](http://www.lemat.coop).

At European level the ESFN has developed a work programme and is looking for new partners and resources to implement it.

#### 4.4. SOCIAL FRANCHISING FOR SOCIAL ENTERPRISES: ADVANTAGES AND STRENGTHS

Starting a social enterprise is usually difficult. The entrepreneurs have often been without a foothold in the labour market, with all that goes along with that. Knowledge and networks for operating a company may not be the best in all cases. Starting and operating a company under these premises is very difficult. Through social franchising, to put it simply, more social enterprises will be able to start. It provides a **support structure for social enterprises**.

Social franchising can provide opportunities for **economies of scale**.

Moreover, it gives internal **rules and a precise organisational structure** to the network. This is very important at an internal level but it also helps enterprises of the third sector to be organized when they have to deal with the private sector.

It gives the enterprises of the social economy the possibility to **protect their know-how and their intellectual property**.

Franchising is proving to be a **low-risk way of integrating disadvantaged people** into the labour market by creating new enterprises. It has potential in many market sectors, but perhaps offers the quickest returns in areas where a fast-growing industry such as tourism is an important part of the local economy. It develops new methods of professional training. It is thus relevant to employment, social inclusion, cohesion, local development, health, vocational training and tourism policies.

Social franchising allows social enterprises to **retain their local roots** and be effectively governed locally without losing the benefits of scale and political influence that larger organisations often have. Social franchising allows social enterprise to compete with large public and private sector providers that otherwise would be impossible. This benefit, together with the fact that social enterprises are value driven means that there are additional and arguably more **powerful drivers** that make social franchising hang together. They share a common:

- Desire to increase their profitability;
- Set of values and social purpose that are more easily attained as part of a franchise;
- Understanding that without the franchise the franchisors would be unable to compete.<sup>90</sup>

Moreover, by cooperating in a franchise :

1. competitiveness is improved ;
2. marketing is enhanced by the use of credible brand ;
3. individual franchises can call on the support of the whole franchise ;
4. shared services are provided from training to marketing ;

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<sup>90</sup> in *SIPS Transnational Partnership. Sustainable Business Concepts for the Social Economy*, Sharing Identifying Promoting Supporting (SIPS), 2007, p. 42

5. business development is enhanced by sharing costs and innovations.

## 4.5. PROBLEMS

### 4.5.1. Price and fees

In a commercial franchise, the franchisee typically pays a licence fee upfront to the franchisor, followed by a regular amount based on turnover or profits.

One of the key issues in social franchising is that often a social enterprise is set up to provide work for disadvantaged groups. There therefore seems something inherently problematic in charging disadvantaged people to join a social franchise and indeed take a proportion of their profits or turnover.

In most cases, social franchises do not charge a **fee** or if they do, it is usually quite a small amount, to set up a social franchise for the intellectual rights (e. g. manuals and brand names).

There usually are **start up costs** and these can be substantial. However, usually the franchisor helps the franchisee find these costs and they work in partnership to raise them. However, if a franchise is to be sustainable, it must generate its running costs and a surplus to pay for development activities. To do this all social franchises pay money to the franchisor. This funds the franchisor to set up more businesses and provide the franchisees with shared services (e. g. training, marketing, etc).

### 4.5.2. Access to finance

Access to finance is traditionally difficult for social enterprises. Banks and financial institutions are reluctant to lend money to companies that do not have large capital and assets and therefore are not able to offer guarantees. Access to finance is particularly hard in new member states, where the presence of social enterprises is recent and most of them are small and do not have solid economic situations.

To start up a franchise system an **initial investment** is required since the initial financial return is very low, if not inexistent. The franchisor must, thus, possess enough capital to cover their own operations as well as – where necessary – support franchisees. If bank loans are not available, this can take the form of an acknowledgement of a large sum from a donor or government.

### 4.5.3. Time and skills

The time and resources that are needed to set up and manage a social franchise system are often underestimated which can lead to the failure of the project. Thus, sufficient human resources and organisational capacities are crucial. The franchisor has to monitor, coordinate, train and supervise franchisees and is responsible for all procedures and logistics. It therefore has to have **skilled and committed staff** available that can allocate sufficient time and energy on the project.

### 4.5.4. Local needs and answers

Social enterprises are often set up with a specific geographic focus in mind, in order to respond to local needs. Therefore, there is a **risk of changing the initial mission** when adapting it to other locations. The relative independence that franchisees are granted can lead to activities that might be inconsistent with the project and thus alter the mission.

### 4.5.5. Reputation

**Inconsistent behaviour** cannot only lead to a change of the original mission, but can also negatively influence the reputation of the organisation as a whole. Operating under the same brand, the various units in a Social Franchise system are perceived as one organisation. Therefore, the franchisor has to ensure an appropriate level of control over the franchisees.



#### **4.5.6. Standardisation**

Since achievements cannot be measured as easily as, for example, units sold in the commercial sector, **monitoring and evaluating** franchisee performance is difficult. However, this is essential in order to ensure adequate quality. Standardisation can help keep a certain level of quality, but finding the right degree of standardisation might be difficult. Moreover, social enterprises have a major relational element and base their success on the ability to personalise services provided to the specific needs of users. Excessive standardisation might have negative effects on quality of services and satisfaction of users.

### **4.6. PROPOSED SOLUTIONS**

#### **4.6.1. Choose the right economic sector/activity**

Successful social enterprise replications have so far tended to be in sectors of the economy where:

- There is a growing market or need ;
- There is something formulaic about the sector, either in terms of a specific product or service, or in the way it is regulated. Essentially, look for sectors can easily be systemised ;
- There are clearly some sectors, where it is easier than others to expose the social enterprise advantage - Health and care, environment and fair trade are only the tip of the iceberg.
- Financing the reality. Despite the policy interest, the social enterprise sector is still relatively small and lacks access to quick and significant investment capital. Therefore 'adoption' of sectors that require, for example, a roll out involving good retail locations on a high street in every town with five years, are possibly to be avoided. Entry levels into markets are key here.

Choosing the right activity helps to have quicker economic return and steady growth rates.

#### **4.6.2. Time and resources**

Setting up a functioning social franchising system requires time and resources. It is a long term choice. Public funding is probably necessary for the start up phase. But public funding may be granted for a fixed period with the risk that it ends when the social franchising starts being operational. Promoters should prepare a business plan to identify known and potential needs in terms of resources in the long term. A good business plan can also be an effective tool to convince banks and private investors.

Time is also crucial. Organisations and people should have a long term perspective and should be able to take a long term commitment, being aware that the results may not be rapid.

#### **4.6.3. Take on board the right people**

Establishment of a successful social franchise network requires the identification, engagement, and incentivisation of franchisees and managers. This really is a tricky balancing act, since it will require a strong and focused entrepreneur who is at the same time willing to conform to some level of business formatting. There can, on occasions, be a conflict here.

At the same time, the franchisee must have the competencies to run the project. Franchisees can be already established or new organisations. The former has the advantage that structures, such as fundraising and marketing divisions are already set up. Furthermore, they are likely to be part of a network which might be beneficial for the franchisor. However, they have their own organisational culture which might at times clash with that of the franchisor.



Although this risk is reduced when setting up new organisation, these will have to start from scratch, which might not only lead to possible start-up risks but also adds further work to the implementation stage.

#### **4.6.4. Monitoring system**

The social franchise needs to monitor the quality of all its members. Often such monitoring will be in the form of one or two key performance indicators that can be regularly and easily measured. All members also need to be on the lookout for poor performance within the social franchise and to be able to have mechanisms to deal with it, which may involve an element of peer support. Enforcing quality can be an issue that creates tensions. Experience shows that if a social franchise is mutually owned member companies are more protective of their franchise and more willing to enforce more rigorous standards than if it is imposed upon them.

#### **4.6.5. Standardised and personalised**

The ability to standardise crucial elements is important as is an absolute profound understanding of the project and its processes by the franchisor. Otherwise, it is difficult for franchisees to implement it effectively and as intended. The degree of standardisation can vary, but it is worth to stress again the importance of finding the right balance between standardising essential elements and procedures and allowing franchisees enough freedom to adapt the project to local peculiarities.

### **4.7. STAKEHOLDERS TO BE INVOLVED**

#### **At local and national level**

- Public authorities
- Banks and financial institutions
- Chambers of commerce
- Business support structures
- Commercial franchise organisations
- Social economy organisations

#### **At European level**

- European Social Franchising Network
- The European Franchise Federation
- CECOP
- RREUSE
- ENSIE

#### 4.8. GOOD PRACTICES SHORT DESCRIPTION

NAME	COUNTRY	START DATE	MAIN ACTORS	SHORT DESCRIPTION	RELEVANT FEATURES	STRONG POINTS	ADDITIONAL REMARKS
<b>Le Mat Hotels</b>	Italy, Sweden	Twenty years ago the first cooperative, in 2004 the network	20 social cooperatives employing disadvantaged people (mainly people with mental problems). Action started by the Italian social cooperative "Il Posto delle Fragole" (Strawberry Fields).  Le Mat Consortium is a second level cooperative and acts as the franchisor.	Specialized agency for the development of sustainable tourism and social inclusive entrepreneurship. It represents a chain and network of hotels and hostels that are welcoming and accessible to everyone, and are run by co-operatives and/or social enterprises employing disadvantaged workers.	The franchisor offers:  Support and technical assistance in starting up and business planning; training, consultancy and support in finding and setting up hotels, vocational training for disadvantaged people and hotel workers; support with promotion and commercial development; designing of models; support in raising funding and accessing credit; contacts with tourism associations.	The commitment and enthusiasm of the social entrepreneurs involved.  The exchanges and the transfer of knowledge have helped social hoteliers to run their business better, to find new ideas, to avoid mistakes and to improve results.	'Le Mat' trademark has been registered at European level and it belongs to the Le Mat Consortium
		<b>Web Site</b>	<b>www.lemat.coop</b>				
<b>Villa Vägen ut!</b>	Sweden	2003	Consortium Vägen ut! Kooperativen (eight workers' cooperatives engaged in activities including weaving, silversmithing, screen printing, café management and catering).	The "Villas" are run by employees with their own experience of crime and drugs. They employ people in the final period of their jail sentences or with social services support for out-processing from treatment.	Villa Vägen ut! ('Way out!') is spreading the concept of halfway houses for recovering drug addicts across Sweden. The two houses in Göteborg, are acting as models for others to be opened.	A proven model-several years' track record. A strong core of committed people. Activation of user group of ex-addicts. Empowerment of cooperative members. Creation of a consortium to provide a stable and mutually supportive base. Existence of a local coop support agencies.	Experiences from Villa Vägen ut! in Göteborg  are being replicated in Örebro, Sundsvall and Stockholm through social franchising.
		<b>Web Site</b>	<b>vagenutsidor.se</b>				

NAME	COUNTRY	START DATE	MAIN ACTORS	SHORT DESCRIPTION	RELEVANT FEATURES	STRONG POINTS	ADDITIONAL REMARKS
<b>CAP Märkte</b>	Germany	1999	GDW Süd - Genossenschaft der Werkstätten für behinderte Menschen Süd eG (a charitable co-operative of sheltered workshops for disabled people based in Baden-Württemberg and Bavaria).	The chain of CAP Märkte (CAP Markets) is growing steadily and has 55 shops. They are medium-sized neighbourhood supermarkets employing disabled people. The business idea is to take over premises left empty by the flight of the main supermarket chains to out-of-town sites, and open neighbourhood grocery shops that are accessible on foot and provide a friendly service.	The franchisor provides: High level support and advice (tenancy agreement, Planning of investment, Consult of optimizing range, Practical support during the first two weeks, business-consulting, support for recruiting and qualifying the staff); Common activities of marketing and advertising; Common development of Corporate Design ; Commitment / attachment of the customers to CAP; Exchange of experience; Common purchasing = advantage of best prices.	Brings multiple benefits to multiple stakeholders: satisfying work for disabled people and staple food-stuffs within walking distance of people's homes. It reduces car use and regenerates the local economy by local recirculation of the money.	GDW Süd helps each new licensee to draw up a business plan. The long retail experience and contacts that GDW Süd possesses mean that it can offer extremely accurate advice to intended licensees.
		<b>Web Site</b>	<b>www.cap-markt.de</b>				
<b>CASA Care and Share Associates</b>	United Kingdom	1994	Sunderland Home Care Associates (SHCA)	CASA is the UK's leading employee-owned home care social enterprise, and, with its founder organisation SHCA, was Social Enterprise of the Year 2006. With four CASA units in operation, providing 7,000 hours of care per week, CASA is viewed by the Department of Health and others as a trail-blazer in health/home care social enterprise franchising and replication.	The company made a conscious decision to remain a locally focused provider rather than looking to expand geographically and had supported the establishment of CASA to 'export' its successful model to other parts of the UK.	A strong and entrepreneurial management team. Proven business model. A commitment to local recruitment and training. Wealth created is spent in the community. Development of relationship with financiers.	CASA has established a 'panel' whereby all units get the chance to share experiences
		<b>Web Site</b>	<b>www.casaltd.com</b>				

NAME	COUNTRY	START DATE	MAIN ACTORS	SHORT DESCRIPTION	RELEVANT FEATURES	STRONG POINTS	ADDITIONAL REMARKS
<b>Wellcom</b>	Germany	2002	wellcome gGmbH (non-profit corporation) and regional offices throughout Germany.	wellcome provides support to new mothers who might otherwise not receive such assistance from family or friends. It reduces the strain of the transitional period, prevent crisis and facilitates a positive emotional attachment to the baby.	wellcome offers a voluntary worker visit to the new mother for a couple of weeks and assist her in the daily life.	The shift financial risk away from the central to local units. Lean and cost-effective use of available resources. Faster expansion and effective use of local knowledge through existing organisations. Financial independence of individual units..	A manual describes all relevant processes and provides guidelines on such matters as conducting interviews with volunteers and doing the accounts.
<b>Comunità Solidali</b>	Italy	2003	800 social cooperatives operating in 13 Italian region; 41 territorial consortia; CGM (National Consortium Gino Mattarelli); Fondazione Betania	Comunità Solidali is the result of CGM's ten years of experience in psychiatric care.  The characteristic elements are: the trademark symbol of excellence, that aims to provide a positioning in the market and competitive advantages to all cooperatives managing psychiatric residential homes ('home style' structures <i>case famiglia</i> ) and the orientation towards innovation and development, through the promotion of 'broad solidarity' which means the creation of solidarity networks and the capacity to implement reciprocity and subsidiarity at local level.	Trademark is awarded by Comunità solidali board, on the basis of a report of an experts' group.  A Manual defines all the characteristics of Comunità Solidali structures and services.  An Ethical and Scientific Committees advice the network.  A monitoring system is provided to check the quality of services and the satisfaction of users and their families.  Training, research and communication are provided centrally.	Vertical integration of the productive chain. Evaluation system based on scientifically recognised methodologies. Commitment and the enthusiasm of the social entrepreneurs involved. Collaboration with external actors (CARITAS, CEI, FISH). Development of innovative services.	The trademark has been recognised at European level and is managed by the Comunità Solidali Consortium.
		<b>Web Site</b>	<b>www.comunitasolidali.it</b>				

NAME	COUNTRY	START DATE	MAIN ACTORS	SHORT DESCRIPTION	RELEVANT FEATURES	STRONG POINTS	ADDITIONAL REMARKS
<b>CoRE (Community Renewable Energy)</b>	United Kingdom	2004	Community Renewable Energy (CoRE) Network	Community Renewable Energy (CoRE) works with communities to develop renewable energy systems able to provide independent, sustainable energy supplies, reduce funding reliance and generate an income. In return, CoRE will retain a stake in the projects set up to fund the establishment of more community owned renewable energy systems.	CoRE proposes a market-orientated approach that will overcome the barriers to entry and allow communities to generate income for community activities. Two types of social enterprises with community based organisations: joint ventures with CoRE to establish larger renewable energy systems; membership co-operatives of CoRE, community groups, individuals and fuel suppliers.	In spite of a modest investment of around £380,000 in grant, is now almost self sustaining and has three major projects going close to competition that will generate enough electricity for 4000 households.	'Franchisees' will mostly be Community Interest Companies. They will covenant a proportion of their profits, ranging from 10-60% to CoRE.
		<b>Web Site</b>	<b>www.core.coop</b>				
<b>Reseau GEPETTO</b>	France	2006	Optimômes	The GEPETTO (Garde d'Enfant Pour l'Equilibre du Temps professionnel et du Temps familial et son Organisation) Network offers an innovative system for the children's care from 0 to 13 years in the parents' domicile. Operates day and night and 7 days on 7, the service is provided by personnel qualified and professional (educators, auxiliary CAP infant, childhood).	GEPETTO applies particularly to the following situations: schedules offset (very early morning, late at night, night, weekend...); business trips or training journeys, the illness of a child and failure of usual custody mode (closed crèche, ill maternal Assistant).	It corresponds to a real request, a current need that reflects the development of today society. It articulates family and professional life and promotes equal opportunities in employment. Quality, flexible and accessible formulas.	With a personal contribution of 21.000 euros, the GEPETTO franchisees receive a contractor that combines economic efficiency and social innovation.
		<b>Web Site</b>	<b>www.gepetto.net</b>				

NAME	COUNTRY	START DATE	MAIN ACTORS	SHORT DESCRIPTION	RELEVANT FEATURES	STRONG POINTS	ADDITIONAL REMARKS
<b>Energy4All</b>	United Kingdom	2002	Baywind Co-operative and other cooperatives	Energy4All's aims are to extend community ownership of electricity generation using renewable resources and provide an opportunity for people to invest their money in an ethical manner. This may be achieved through new grass root co-operatives or other financial and corporate structures depending on the nature of a particular project.	<p>The Energy4All team has experience in working with developers, universities, community groups, energy agencies and national and international government agencies.</p> <p>It provides mainly business advice and support to raise the required finance through public share issues.</p>	Consultation with community group, local authorities and energy agencies. Capacity to establish local co-operatives to own turbines. Innovative financial models to raise equity capital through share issues, supported by bank facilities. Maximization of the community energetic benefits.	Baywind co-op has generated enough green electricity to power 1,300 homes a year whilst paying an attractive return to its 1,350 members (averaging 7% per annum), and supporting local initiatives.
		<b>Web site:</b>	<b><a href="http://www.energy4all.co.uk">http://www.energy4all.co.uk</a></b>				
<b>Fifteen</b>	United Kingdom, Holland, Australia	2002	Fifteen Foundation	Fifteen Foundation exists to inspire disadvantaged young people (homeless, unemployed, overcoming drug or alcohol problems) to believe that they can create for themselves careers in the restaurant industry. The Fifteen restaurants serve food of the highest quality made from the best ingredients.	Fifteen's philosophy is to learn within the actual work environment, from experts in the field. The people taking part are aged between 16 and 24 and not in full-time education or employment when they apply to join the programme.	Nearly nine out of ten young people who have come to Fifteen consider it a positive experience. Fifteen has been successfully replicated in Amsterdam, Cornwall and Melbourne.	The Fifteen Foundation is a charity, but Fifteen is a commercial restaurant integrated in a highly competitive market.
		<b>Web site:</b>	<b><a href="http://www.fifteen.net">www.fifteen.net</a></b>				

NAME	COUNTRY	START DATE	MAIN ACTORS	SHORT DESCRIPTION	RELEVANT FEATURES	STRONG POINTS	ADDITIONAL REMARKS
PEIRAN	Greece	2002	Social enterprises. One social franchisor and seven social franchisees.	<p>The project created a network of seven social enterprises (franchisees), under the support and entrepreneurial guidance of one social franchisor. The franchisees trade traditional, organic and alternative products and services. The shops act as reference points for local cultural development and the social economy.</p> <p>They employ young unemployed people residents of insular regions with insufficient skills.</p>	<p>The franchisor provides:</p> <ul style="list-style-type: none"> <li>- training</li> <li>- marketing plans</li> <li>- publicity support</li> <li>- systems of product distribution and supply</li> <li>- entrepreneurial and financial guidance.</li> </ul>	<p>Entrepreneurial methodologies and social objectives.</p> <p>A new field of social economy entrepreneurial activities in growing markets.</p> <p>Exploitation of existing structures.</p> <p>Democratic management.</p>	Weak network based on public funding. To check recent evolution.
		Web site:	www.peiran.gr				
U Pana Cogito	Poland	2003	Social Firm Boarding-house "U Pana Cogito"	U Pana Cogito is an Hotel that employs 160 people with mental illnesses who take part in vocational training preparing them to work in the hotel trade such as receptionist, waiter, kitchen porter, room service, in the catering trade.	<p>Transfer of experience to another social cooperative in Radom.</p> <p>Use of Pana Cogito brand to social enterprises in connected services (catering and bike rental).</p>	<p>Work integration of particularly vulnerable targets.</p> <p>Growing market sector.</p>	
		Web Site	http://www.pcogito.pl				



NAME	COUNTRY	START DATE	MAIN ACTORS	SHORT DESCRIPTION	RELEVANT FEATURES	STRONG POINTS	ADDITIONAL REMARKS
<b>Option C</b>	United Kingdom	Early 1990s	Option C Car Club	Option C aims to reduce car usage by providing members with short-term car hire through cars based in their neighbourhoods. This allows them to get rid of their car and make rational choices about the best form of transport to use. Option C operates in 15 areas across the UK and is expanding rapidly.	It offers locally-based, short-term car hire to people who become 'members' of the club. Drivers pay an initial one off joining fee and are then charged per hour and per mile (inclusive of fuel and all other costs) when they use the car. Cars are booked in advance by telephone or over the internet. The cars are located at specific, clearly marked points, usually within 10 minutes' walking distance of where people live or work.	Growing market. Re-thinking car use. Promotion of other sustainable transport options.	Recently merged with another social enterprise, Common Wheels
		<b>Web Site</b>	<b>www.optionc.co.uk</b>				
<b>Wholefood Planet</b>	United Kingdom	1980	Social Firms UK	Wholefood Planet is a licence opportunity operated by <a href="#">Social Firms UK</a> . It involves the retail of environmentally friendly products and is based on the established track record of <a href="#">Daily Bread</a> , replicating its systems and know-how.	The Wholefood Planet stores aim to provide an efficient service to customers, trading fairly, in a way that creates a viable business, based upon highly ethical principles. While organic wholefood products comprise the majority of the product range, environmentally friendly household products, nappies etc. are also sold and all products are ethically sourced.	The Wholefood Planet stores are positioned to benefit from the increasing awareness of healthy eating, the rising popularity of specialist wholefood stores, the emergent market for organic food and the growing influence on consumer choice of fair-trade and ethical supply issues.	The wholefood market is expanding due to government and media focus on healthy eating.
		<b>Web Site</b>	<b>www.wholefoodplanet.com</b>				

NAME	COUNTRY	START DATE	MAIN ACTORS	SHORT DESCRIPTION	RELEVANT FEATURES	STRONG POINTS	ADDITIONAL REMARKS
<b>The Soap Co.</b>	United Kingdom	2005	Social Firms UK	The Soap Co. shops sell a range of traditional hand made products which combine the best ingredients local to them with oils and fragrances carefully selected from around the world.	<p>The licence for operating the Soap Co manufacturing and retail outlets is operated by <a href="#">Social Firms UK</a>. Soap Co licence operations are set up and run as Social Firms.</p> <p>The plan over time is to increase the number of shops throughout popular tourist and visitor destinations in the UK, thereby increasing the number of paid employment opportunities for disabled people.</p>	<p>Same principles as standards franchising to ensure systems are adherer to and intellectual propriety protected.</p> <p>Requirement to measure and prove social impact on annual basis.</p>	
		<b>Web Site</b>	<b>www.thesoapco.co.uk</b>				
<b>Hidden Art</b>	United Kingdom	1994 (2005 – Hidden Art Social Franchise)	The Hidden Art Cornwall	Hidden Art is a not for profit organisation that provides a hub for designer-makers in East London soon London-wide. It offers membership, networking events, Annual Forum and website, support for sales and bureau and training.	A project funded by Business link promoted the franchising of hidden art realising a Feasibility Study and a Operational Manual, establishing a franchise Team and a Franchise Contract.	<p>Strong Brand.</p> <p>Sustainable growth of the design sector thanks to the presence of a hub.</p>	
		<b>Web Site</b>	<b>www.hiddenart.com</b>				

## **5. FINANCIAL INSTRUMENTS AND MECHANISMS OF FUND ALLOCATION TO SE**

### **5.1. FOREWORD**

Characterisation of the social enterprise and social economy sector as understood in this contribution:

1. The self-help sector, which can be distinguished in pure mutualism (from members for members) and the part that is mutually (or cooperatively) organised but serving non-members or commercial purposes. Examples: Farmer's cooperatives that mutualise tools, storage and commercialisation networks; Credit Unions that mutualise savings among members; Mondragon Corporation which is entirely worker-owned and is a conglomerate involved in banking, manufacturing and retailing;
2. The civil society or associative sector, which is also of self-help in nature, but whose nature or object is either wider than the direct interests of the members alone or not commercial in nature. Their income is often based on a combination of membership contributions, incomes derived from their purpose and grants from governments or similar bodies. Examples: The Red Cross, Oxfam, etc.
3. The inclusion economy, i.e. companies and organisations that usually fulfil ordinary economic purposes, but whose way of operating is based on including people that would not find a job on the classical market. Examples: catering companies who employ disabled people or socially disadvantaged people in their production process.
4. Social enterprises of newer generation, which also exist in quite old versions, that operate often (but not always) in similar ways as for-profit companies with maximisation targets, but whose purpose is to deliver a social product or service that targets people that are not in the focus of classical for-profit market. Examples: the Grameen Bank, that operates like a classical company but delivers loans mainly to people (of which mainly women) excluded from the commercial banking sector.

### **5.2. CONTEXT**

#### **5.2.1. The challenges in funding social (economy) enterprises:**

Social enterprises pose a series of challenges for aid programmers who want to take advantage and promote their added values. They are dealing with a sector that, in contrast to classical commercial businesses, encompasses a wider scope of objectives (since they are not about profit-making alone, if at all), which makes them more difficult to put under one single heading. They are also more challenging to define, their boundaries not easy to set: some are defined legally but may pose a challenge as to their social added value, others have no social status but need to be analysed on the basis of their practice to be able to define what they are. In short, it often needs a closer look and a case-by-case approach. Then, thirdly, there is the problem of the business models, incomes are most of the time not direct (incomes based only on the sale of a good or service) but partly indirect, multiple and not necessarily based on the good or service proposed itself; the sustainability of social enterprises is based to a large extent on social capital (goodwill, volunteerism, networks, history, etc) which needs a good understanding before designing and granting aid. Any aid to that "sector" needs a good and differentiated understanding of what is targeted and how it can best be supported.

### 5.2.2. The need to differentiate the right forms of aid

Because of their stronger reliance on social capital, social enterprises are more vulnerable to the nature and the effects of external funding granted to them, or even to their partners or to their sector as a whole. As a general rule, "easy money" (in the sense of money that discriminates little about the way it can be used, in effect!) tends to crowd out social capital; typical examples of this are associations that loose or disregard their volunteer support as a result of (or even as a condition for<sup>91</sup>) receiving grant support. At a higher scale indiscriminate grant-funding adversely selects the most dependent organisations (i.e. those whose social capital is weakest) that tend to seek the most prominent position in the quest for funding, and by the way tend to weigh in most on policy design. This explains why external aid (and welfare in general) often becomes a self-feeding process, generating increased dependency and decreased self-reliance.

On the other hand, there are forms of aid that on the contrary have positive effects on the social capital and on strengthening social enterprise (e.g. as in the case of sector infrastructure support). It is therefore not aid as such that is at stake, but its design. All money is, indeed, not the same.

### 5.2.3. Introducing the concept of "market subsidiarity":

There is a hierarchy in the choice of monies to support the social economy enterprises and organisations, a hierarchy based on the criterion of what keeps an organisation (1) focused on its mission and (2) improve and develop its practice in this direction. This differentiation of monies matters particularly when dealing with a sector that is so much in between the state and the commercial sectors.

The trade-off of the different forms of monies that stretch from bank-like monies (e.g. venture capital, guarantees, loan capital, mezzanine finance) to grant-like monies (e.g. tax incentives, one-off grants, recurring grants) is that while the bank-like monies are the most helpful in keeping a social enterprise on mission (i.e. focused on the people it serves), the extent of their use is limited by the economic stress they put on the organisation. But grant-like monies should only step in when and where these other funds are used to their fullest potential. This is what could be described as "Market subsidiarity".

While this principle may sound reasonable, this order of intervention is not what prevails in the vast majority of cases of EU funding, either because this issue of priority is ignored, or because it is not ignored at all but inadequately approached to reduce its likelihood. While the issue of grant dependency is indeed often recognised as a major problem, the sort of measures adopted are for instance a strong focus on project finance combined with strict limits on overhead expenses, the idea being that the organisation should be focusing on producing outputs instead of allowing it to bloat its structure cost. In practice however, this approach is expense-focused before anything else (focussing mainly on the eligibility of expenses) and combines with very competitive calls for proposals (to reach only the best projects and organisations) and weighty submission processes. All of this combined represents a high cost burden for the potential beneficiaries (the majority of which actually access no funding at all) that ends up with the opposite result than targeted: on average it is those organisations with the structural capacity and institutional weight to sustain such costs that can take part in such funding processes. Instead of producing lean and object-focused social enterprises, most funding processes involve technical constraints that select and/or produce organisations with higher overheads.

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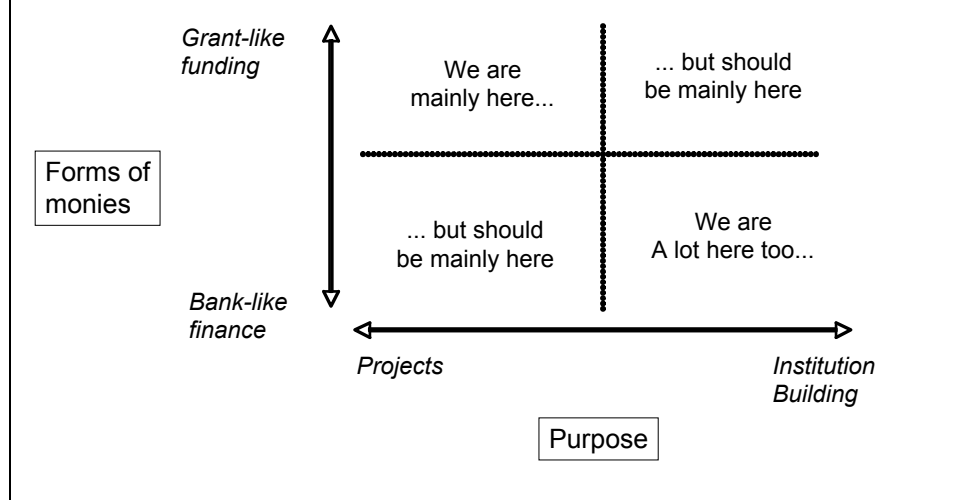
<sup>91</sup> it is clear that no funder requires as such that an organisation get rid of its volunteers. This is rather the indirect result of other requirements such as on co-funding or on having to show institutional management capacity.

Paradoxically, it is approaches that focus more on institution building (of the social enterprise or of sector structures more generally) that are the most likely to produce leaner organisations with the kind of outputs one would be looking for. It is a challenging part to demonstrate: this conclusion (which certainly would need more differentiation) is based on observation, especially at the level of financial networks and sector developers:

- As a general rule, the leanest and most sustainable financial organisations are among those whose survival (and as a consequence, whose governance !) is significantly (!) turned towards the borrower. A good indicator for this leaning is whether an organisation keeps improving its services and products continuously to better match demand. This may sound obvious, but the reality, for instance in microfinance, is that the real client for most organisations is in fact their donor: government.
- This is still largely the case today, in spite of decades-long government support intended to serve microfinance clients rather than bloating microfinance organisations. The absence of recognition of the institutional needs (development costs towards institutional maturity, endemically higher management costs, etc.) has led the sector to develop derivative strategies of continuous fundraising. It has also lead to creating the myth that microfinance necessarily needs to be accompanied by training, and funding for this purpose.
- the best evidence can in fact be found in the evolution of how microfinance has been supported over the last two decades internationally, starting from client target and eventually shifting towards institutional and sector focus. This paradigm shift can be exemplified by the attitude towards interest: while up to about 15 years ago the requirement was to charge none or only very limited interest (having in focus the interest of the final borrower), the policy over the last decade has been to require charging the highest possible interest (focussing on the sustainability of the MFI). The most recent policy trend is now going away from this policy, towards leanness rather than maximum profits.

But more fundamentally, by choosing a "project approach", public funders actually carry out the job that bank-like instruments should be performing or at least be involved with (see graph below), while they should actually be taking charge of those tasks that bank-like instruments are less capable of fulfilling.

## EU funds for social enterprises: inverted priorities?



### 5.2.4. Social (economy) finance in Europe

Europe has seen over the last 30 years the development of a fairly diverse sector of financial organisations that finance social enterprises in their most various forms or, though financing ordinary micro-enterprises like in the case of micro-finance institutions, operate themselves as social enterprises. There are in particular:

- savings and credit mutuals (e.g. credit unions) as well as guarantee mutuals that allow individuals, families, small entrepreneurs, local communities and entrepreneur communities to mutualise their capital and give access to finance, as well as to generate strong local social capital generating a context of wider opportunity for the stakeholders involved;
- specialised credit cooperatives that focus on financing social economy organisations and enterprises, inclusion companies, adding support services to their finances that crucially improve the management of the social enterprises;
- community finance institutions that focus on developing a whole area at a time, delivering a series of financial services that will help local businesses, starting entrepreneurs, community organisations and local infrastructure to develop, often combined with non-financial services to strengthen the economic initiatives;
- micro-finance institutions that design financial instruments allowing them to reach out to disadvantaged people or people with no or bad access to banking services in general to generate their own micro-activities;
- Ethical banks that sometimes grew out of the above movements and dedicate themselves entirely to financing social enterprises, social service organisations and enterprises with clear added values for society;

Their added values have been identified to be:

- they know how to take account of social capital as an asset, adopting a very pragmatic approach about it, not reduced to classical guarantees as required by mainstream banks or even by government project finance;
- they generate sustainable project, both because this is a pre-requisite for accessing this sort of finance but also because they strengthen their financed projects both through financial instruments that are best adapted to social enterprises and through accompanying support;
- they create jobs at a very low cost and very low investment level;
- their added value goes well beyond the project alone thanks to their developmental and strategic approach, focused on developing a specific sector, a specific area or a specific target group.

This sector hasn't developed evenly across Europe: it is less present in Eastern Europe, in the countries that have become EU member states after the second banking directive was implemented that made it a lot more difficult (if not entirely implausible) to create such organisations.

Social finance has been benefiting regularly, though very unevenly too, of EU grants and support: they have accessed guarantee funds, loan funds, pilot support and even been involved in outright partnerships with governments. In other cases they have served as examples for government funds and agencies that emerged where no such organisations were present. Examples are numerous and varied, although only few systematic approaches have emerged out of this going beyond support for individual projects.

### **5.3. HISTORICAL OVERVIEW OF ACTIONS ALREADY TAKEN**

The most prominent forms of support for the social economy sector came in the past from various programmes and initiatives that were directly and centrally linked to "Brussels", such as the Equal programme most recently or the "Third System" Initiative before. These were actions that targeted mainly pilot initiatives, intended for generating and sharing experience, also in the direction of national managers of mainstream EU Structural Funding. These programmes had a limited purpose, both in time and in results, and it was usually left open as to how far their results would transmit to the national levels.

At the national levels situations have varied significantly from one member state to another, depending on the political prominence of the social economy sector and depending on the institutional design of the policy:

- in the majority of cases, social enterprises have benefited from budgetary headings that could either be linked to SME policy (mostly ERDF funded), to social inclusion policy (ESF funded) and to a lesser extent (though more targetedly) within the Rural Development Programmes (EARDF). While the information about this is mostly anecdotal, it can certainly be assumed that the majority of funding to the sector went individually through these forms of mainstream programmes. The forms of support were mostly single-needs focused and not part of coordinated and integrated programmes targeted as such at social enterprises. This means for instance that social enterprises may have had to cope with SME policies mainly focused on growth enterprises delivering means adapted to such targets. The same happens in ESF programmes, where the inclusion side of a social enterprises will be considered, yet the economic aspect be ignored.
- Social finance in Europe has over the last decade experienced the very same situation as described above, benefiting equally in an ad hoc fashion from a large diversity of EU funding sources (ERDF, ESF, EIF, etc). Sometimes very generously (as in Italy) but almost always in a single-focus way: only guarantees, only loan funding, only



training funding, etc, giving these "projects" very unbalanced means. There is as such no integration into a larger and strategic approach, at least not at the level of the beneficiary organisation, although there are again exceptions to this...

- There are cases however where sector-approaches were adopted, such as in the case of the trainings and support delivered through the network of cooperative development agencies in Sweden or the Cooperative support in the rural programme in Romania. In the case of the German micro-finance network too the federal ministry has adopted a sector-wide approach.

Overall, though things vary significantly from one member state to another, it is very clear that funding for social economy and social finance organisations not often goes beyond project finance and ad hoc opportunities. The choice of single instruments seems to reflect most of the time single purpose objectives rather than strategic objectives based on building up institutions, sector infrastructure or on a plan about what social enterprises should add to society.

In the specific case of micro-finance, policy has become far more targeted over recent years, with the rapid succession of three programmes: JEREMIE, JASMINE and the PROGRESS Microfinance Facility presently in preparation. This succession of programmes is an expression of an increasingly pro-active and integrated policy, compensating for the lack of such policies at national levels. JEREMIE for instance, the first one of the series that contained an explicit policy strand for micro-finance and which relied on the Member States' cooperation, did not (to our knowledge) produce a single support programme for any national micro-finance sector or initiative. This showed, generally speaking, how little the micro-finance sectors are institutionally connected to policy-making. As a consequence, the subsequent JASMINE programme was designed to focus entirely on micro-finance, but has so far produced only a technical assistance programme and has so far been as single-focused as the previous CIP micro-guarantee facility. The PROGRESS Microfinance Facility, presently in its design process, is also entirely focused on micro-finance but is likely to go one step further in that it might integrate the entire spectrum of support, from grant-type to bank-type support, for the sector.

#### **5.4. STATE OF PLAY**

The situation is one of fundamentally under-used potential: well-tried financial procedures and instruments are available but not considered, such as:

- "Financial engineering" measures, which are methods by which member states can commit structural funding in the forms of venture capital, guarantees, loans or mezzanine finance. The rules for implementing such measures have been simplified over the years, leaving member states very free in the way they may adopt such measures. In several cases such measures have been used to finance social economy sectors through specialised partners, such as in Italy, France and the UK.
- "Global grants" are a form of allocating funds and delegating its management to a government agency, a regional government or even an NGO, specialised in addressing a specific territory or a specific sector of activity in a specialised way. The global grant is a pragmatic solution through which a combination of funding measures (grant and non-grant measures) can be adopted flexibly, for instance combining research with training with loan and guarantee instruments to consistently sustain the development of a small business sector in one given area. Some examples are quoted at par. 5.7.
- Participative budgeting: though not a labelled practise as such, many regions and ministries in the EU are adopting open consultation methods to design their opera-

Generally speaking, information about funds allocated in a way that could be of interest for this LfC project, not even to speak of good practice as such, is a result of case by case and anecdotal knowledge gathering, since there is no central registry of such information. The present frame is meant to be the first step in this direction, to better enable the identification and collection of good practice in the following process steps.

The same under-use of potential is true at the level of financial organisations that could potentially serve as partners or as examples for innovative financial interventions, or even as direct link to a potential demand that otherwise takes years to connect to. There are networks at the European level and at national levels with which programmers of EU funding never get in touch with, although such partnerships could be operational at very short term, partnerships that also easily solve co-funding issues that programmers often struggle with. The potentials are there.

## **5.5. PROBLEMS**

The issues with which we are confronted here have been identified before but rarely been addressed adequately in their full extent or depth. Typical challenges had to do with so far:

- The cross-sector nature of social economy: the sector involves a wide diversity of problems, stakeholders and government competencies which often involves complex coordination processes and creates delays for any significant advance; It usually helps when some coordination practice already exists at the ministerial levels on these issues;
- Lack of human resources: adding to the complexity of the issue, human resources involved in managing government funds are, paradoxically, already well absorbed in the management of their funds that leaves little resources to work on how to improve that management. It usually helps when the government entity already has a culture of delegating and of working in partnership with the targeted sector to coordinate their work load;
- Lack of time: there is a pressure to spend the money in a given time-frame which leads to solving issues with the same short term fixes and never looking into the structural causes;
- Competition: governments sometimes see the social economy as a rival instead of a partner and in spite of limited human resources will sometimes launch initiatives of their own attempting to serve the same needs segments. This is particularly true when it comes to developing financial instruments;
- Absence of institutional learning: knowledge developed through such learning processes is at best taking place at individual levels but rarely happening at the level of the government institution, nor in the social economy sector itself. There is no knowledge capitalisation and transmission capacity;
- Strategic programming: programming for this sector (as much as for any sector) cannot be based on the sum of expressed needs by the sector organisations. While these needs are often the expression of the largest organisations and of those that are least sustainable (for good or bad reasons), programming needs also to reflect

how the social economy fits into the wider frame of society, thus has to involve also independent thinking to some degree;

- Missing sector infrastructure: in countries where the social economy culture is not well rooted, but not only there, there are usually gaps in sector mediation. This is also often the result of grant policies that exclude the support for such institutions from their project-funding-approach, although these are actually eligible to be funded. It can therefore be that any improvement of sector funding has first to start with helping to create or to complete the gaps of such sector structures to start with. These structures are usually the best help to bridge the policy-to-sector gap;
- Missing reflection from the sector itself: the difficulty inherent in predominantly ad hoc funding approaches is that it has developed similarly an ad hoc vision on the social economy side, who takes advantage of whatever opportunity that comes up but with little to no strategic thinking or planning as to what is needed to serve those that one wishes to serve. Social economy organisations are rarely involved in the programming processes, meaning that it can't be expected from them that they produce policy blueprints on first work meetings. This usually takes several years to happen, through a process that involves understanding policy and sector constraints and experience accumulation on the basis, to a large extent, of trial and error;
- A science to invent: the "science of aid" is one whose need has not been recognised yet. The belief that giving money is by itself a good thing and good enough not to think further about it is still deep. The awareness of negative effects of money is largely left un-studied. The design of aid remains at best a matter left to the art and craft skills of any individual public official. There is little literature on this and little to no practice of exchange across government bodies on it.

More generally, there is quite systematically very little time and energy invested in lateral exchanges either with the sector or with fund programmers, which underlines all the relevance of this LfC project.

## **5.6. PROPOSED SOLUTIONS**

### **1. Improving Knowledge**

#### **1a. Understanding and connecting with social finance in Europe**

- Who-is-who in European social finance: setting up an inventory of social financial organisations that exist across Europe, including a listing of contacts and networks, also of organisations that can work across borders;
- A series of case descriptions of non-grant financial instruments that are successfully applied to social enterprises, especially describing the conditions under which they came to be and under which conditions they can adopted and applied;

#### **1b. Understanding social enterprise:**

- identifying social capital: identifying what it is, how important it is, how it works and how it interacts with external funding; Identifying in particular how organisations, small sized and with high social capital, have accessed Government funding that has helped them;
- understanding and identifying as far as possible market subsidiarity: what are the necessary grant elements that social enterprises need; how can social enterprises be categorised to better identify the grant and financing mixes to apply to them;

#### **1c. EU funding good practice:**

- identifying cross-ministerial coordination methods at the national and EU level that have helped dealing with the socio-economic dichotomy of social enterprises: what were the historic conditions and what are the conditions of replicability, how successful was the coordination;
- identifying and developing time- and cost-effective processes through which to carry out participative programming and implementation of programmes; identifying efficient dialogue processes between funding programmers and social economy sectors;
- identifying programming, outreach, selection, spending and accountability processes that have worked well with social finance organisations and with social enterprises, which ones were helpful in institution building and in protecting and increasing social capital; development of an analysis grid making comparisons possible;
- in particular: identifying good practice in supporting sector infrastructure organisations (apex structures, training institutions, development organisations, news agencies, interaction places and events, etc);
- identifying EU funding instruments that have had a strengthening impact on social financier's and social enterprises social, in particular with regard to the following criteria (to be refined and extended)
  - mission consistency: is the organisation keeping its target;
  - sustainability: is it stronger, better capitalised then before;
  - social capital: has it been preserved, even increased?
  - Outputs: are they there?

## 2. Implementation

The European-level exchange is in effect confronted with similar challenges as with the national levels, having to develop a knowledge-base and connections that need to be identified through a process. The suggestion would therefore be to make this a step-by-step learning experience that takes progressively stock of various elements, in a similar order of priority as a national social-enterprise funding policy would develop: capitalising on what there is, understanding what is missing and needed, designing a sector strategy, designing funding mechanisms, implementing processes, monitoring feedbacks, monitoring and understanding impact, improving policy.

A core challenge has to do with the difficulty that this missing "science of aid design" still has a missing community of scientists, which can only be partially filled by representatives of the stakeholder communities (EU funding programmers, social finance networks, social economy organisations, research institutions, etc). It is therefore likely that a progressive approach, involving a step-by-step involvement of needed competencies, will be the most cost- and time-effective.

### 5.7. GOOD PRACTICE

There are not many good practice examples that can serve as perfect blueprints for our purpose that come from social economy finance as such. There are more to be found in the general area of small business support, but which can very usefully be transposed to social business finance. Here are some ideas:

- Community Enterprise in Strathclyde (CEIS): an all-round support organisation in Scotland that delivers development services combined with finance to social enterprises in the area, in addition to micro-finance to starting entrepreneurs. CEIS has received over the years a series of grants that include a combination of ERDF and ESF.

- The Global Grant for small enterprise development in Milan: an example among others of a comprehensive small business programme financed through a Global Grant covering a series of different support elements (advice, training, access to finance, ...) for starting up and developing small enterprises in the region around Milan. It is a case of a classical ERDF regional grant.
- Social enterprise finance partnerships with Banca Etica: an example of partnerships between a specialised finance partner for social enterprises and a series of regional authorities in Italy that have invested capital in the bank to serve social enterprises in their respective regions. The Banca Etica case was actually not EU aid, but direct aid from regional authorities that could serve as example for EU grants.
- Funding the micro-finance sector infrastructure in Germany: ESF funds have been used very effectively to fund a sector organisation, the German Microfinance Institute (DMI), to help start and develop the new micro-finance sector in the country, giving access to training and to finance, monitoring and improving results. The initiative has generated the creation of twelve local micro-finance organisations within three years. This is also a good example of how an emerging sector has negotiated a sector approach with government funders. The German case was ESF.
- new initiatives supported from ERDF/ESF in the new Programming Period 2007-2013, such as the Czech example of ESF and ERDF global grants on social economy development (more information in the Czech baseline study) and the new Lithuanian Financial engineering programme (information being collected).
- SODEC (Société de Développement des Entreprises Culturelles, Québec) is probably one of the best and most comprehensive examples of an all-in-one integrated funding system for a sector that has, technically speaking, similar characteristics to the social economy: the cultural sector. SODEC integrates the complete set of instruments ranging from venture capital to subsidies, including loans, guarantees and tax incentives. It illustrates how the market subsidiarity principle can be applied on a difficult sector to optimise government aid and sustainability, with the result that Québec's cultural sector is today one of the most successful internationally.

These good practice examples (notably from Italy and the UK) focus on integrated support programmes, of which there are not many specifically for social enterprises as such. The ones mentioned are understood as guiding examples, on which the LfC stakeholders should agree, for further investigation and learning.

As already said at the start of this section, the examples of strategic and sector-building approaches are not numerous. The few that can be mentioned are not even specifically in the field of social enterprise support. Indeed, because there are not many, this is why this LfC project is so relevant.

## 5.8. STAKEHOLDERS TO BE INVOLVED

The start-up team:

If the idea of a progressive approach is adopted, a core team to start up the process would then be composed of:

- the EU fund programmers of the involved LfC countries;
- several key EU officials from the DGs in charge of Financial Control, Regional Development, SME policy Employment and Social policy, Rural Development policy and in charge of targeted programmes (JASMINE, PROGRESS, etc)..... approached and invited on the basis of their experience and affinity with funding technicalities;

- The experts involved in Equal on social economy and access to finance issues (e.g. Copie II);
- Key Social Finance stakeholders, in particular the most innovative social banking networks at the European level (INAISE, FEBEA, ENCU), their academy (the Social Banking academy) and the most advanced Social finance networks at the national level (in particular the CDFA in the UK). Based on their competence, the Eastern European micro-finance network (the MFC in Warsaw) would also be relevant.
- Social economy stakeholders at the European level (Social Economy Europe, CEDAG,...), but more particularly the national networks (the Swedish network of cooperative agencies, the Polish NGO network);
- Networks that have already worked on improving the funding framework (CLONG, OSI Foundation, EAPN, EUCLID).

This in itself could constitute a starting network of stakeholding organisations. Yet it should be well understood that the key element will be to identify the individuals (inside these networks or close to them) that have acquired the technical competencies that are necessary for this process. Beyond this technical requirement, the stakeholder community can be broadened as seems fit for the dissemination purposes in due course.



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