PROMOTING SOCIAL ENTREPRENEURSHIP IN EUROPE

Conference, Brussels, 18 November 2011

Minutes, written by the European Commission services

NB: all speeches could be seen at
http://webcast.ec.europa.eu/eutv/portal/archive.html?viewConference=13363

OPENING REMARKS by Commissioner Barnier
NB: the speech could be found at
http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/11/776

Mr Barnier thanked the distinguished speakers and participants in the conference. He described the backdrop of the conference as an intersection of different crises (economic, social, environmental, but also security and food-related) and outlined two possible ways out of the current situation: nationalistic, protectionist retrenchment or cooperation and teamwork. He said that the latter should be the guiding spirit of the event. He went on illustrating the regulatory and policy initiatives put in place by the Commission to address these crises, but said that it is equally important to provide citizens with a vision for what's next for growth, employment and competitiveness. He pointed at "sober growth" and the need to spur new models of doing things and business. He cut out a role for the Commission as setting an agenda and charting a course. He stressed the importance of upholding the Single Market as a key asset and described the Single Market Act as a roadmap for its relaunch in all its dimensions. He then illustrated the recently adopted "Responsible business" package, and the three main pillars of the Social Business Initiative: access to finance, visibility and a solid legal framework.

KEYNOTE SPEECH by Grazyna Henclewska,
Polish Undersecretary of State in the Ministry of the Economy

Ms Henclewska welcomed the event and also made reference to the deep crisis Europe is experiencing. She said that filling gaps in current financial information is as important as bringing about structural reforms, so that new challenges are faces and conditions for economic renewal, including its social dimension are created. She underlined that the crisis is also an opportunity to question past economic solutions and look at a new economic order based on credibility, trust and reliability. To her, social responsibility for business can serve as a means to create this new social economy. Ms Henclewska also said that, to meet the current challenges, the more and more partners and stakeholders must be involved, for an exchange of views and experiences that benefits all. She mentioned public-private partnerships, education, transparency and leadership as important aspects, as well as the internal market and open trade relations with third countries.

Session 1: How to make entrepreneurship work with social innovation?

KEYNOTE SPEECH by Muhammad Yunus,
Founder of the Grameen Bank and 2006 Nobel Peace Prize Laureate

Muhammad Yunus stated that the world is facing several crises at the moment, ranging from financial to economic and environmental. At the heart of all these crises is a single problem, namely the single-minded pursuit of profit. However, human-beings are not one-dimensional. A transition to a new civilisation is needed in which the self-less part of human-beings is put into the centre. Social businesses therefore are the way forward.
Muhammad Yunus expressed his hope that the young generation, who has less difficulties grasping the concept and who has access to technology like no other generation before, will make the change happen. His conviction is therefore that the distance between the impossible and the possible is shrinking.

THE PANNELLISTS:

Business as usual is not an option after the crisis. Social innovation is needed. – This was a consensus among the panellists of the first session entitled "How to make entrepreneurship work with social innovation?".
Commissioner Andor stressed the role of social innovation in achieving the Europe 2020 targets of smart, sustainable and especially inclusive growth. Social enterprises as a great source of social innovation therefore have an important place in job creation and the fight against poverty. The innovative potential that social enterprises bear was illustrated by the testimony of **Jean-Daniel Muller**, Director General from "Siel Bleu" that offers sports courses to senior people. Since he launched his venture 14 years ago his social business has created 300 jobs in several European countries.
Sergio Arzeni, Director at the OECD, highlighted that the Conference was milestone in European policies towards social entrepreneurship as it linked social enterprise with social innovation and the social economy. He invited the European Commission to enter into an alliance with OECD and join the Forum on Social Innovation and the Social Economy Peer Reviews as platforms for sharing good practice.
In the words of **Staffan Nilsson**, Chairman of the European Economic and Social Committee, developing social enterprises is a smart response to the crisis as it allows reconciling social Europe and competitive Europe. The panellists agreed that education is one of the fields on which policy makers should concentrate in stimulating social enterprises. As **Muhammad Yunus** and **Sergio Arzeni** underlined, many young people are attracted by the idea that social impact and business are not incompatible. Both agreed with **Marc Tarabella**, Member of the European Parliament, that social entrepreneurship including the business models and social impact measurement should be integrated in the curricula of business schools. There was also consensus that it is important for public authorities to increase the visibility of social enterprises to foster trust in the sector. Facilitating access to finance, including for already existing ones, was considered as another important element in the promotion of social enterprises. **Marc Tarabella** generally welcomed the Commission's Social Business Initiative, but warned against too restrictive an approach concerning the formal statute of social enterprises. **Muhammad Yunus** compared the role of the public sphere to the one of the conductor of an orchestra who does not play the music himself, but who acts as a facilitator.

Session 2: How to design an appropriate financial framework for social entrepreneurship in the EU?

KEYNOTE SPEECH by Ole Sohn,
Minister for Business and Growth of Denmark

Ole Sohn emphasised the transition to a green economy and the creation of growth in finding a way out of the crisis. Within this context, he emphasised that policy-makers should work towards a framework that supports European companies in moving towards new growth. He made a reference to the twelve prioritized initiatives within the Single Market Act, one of which is the social business initiative. He sustained that the Danish Presidency will do its utmost to support and develop further these initiatives. He mentioned three ways to support social business, by a reformation of public procurement rules, by a targeted public advisory system and through corporate social responsibility (CSR). With respect to public procurement, he said that in Denmark, partnerships between the public and private sector in the field of elderly care gave considerable positive outcomes. In relation to the targeted public advisory system, he mentioned StartupWheel which serves as a toolkit for decision-making and action planning for social entrepreneurs amongst others who are considering to start-up a new business. Furthermore he made a reference to the 87% of large Danish companies which have chosen to account for CSR in their annual reports. He continued to say that social business renders better ways to aid in the overall societal objectives and promote innovation, to welfare technology, social services, health area, climate, labour market, and enhance innovative cooperation between public and private actors throughout Europe. He said that social entrepreneurs have good understanding of social issues but they must be aided to develop a sustainable business plan. Here, he pointed to the Commission's upcoming proposal on venture capital to support growth in Europe. He encouraged social businesses to be on an equal footing with other types of entrepreneurs and welcomes the discussion about possible solutions to design an appropriate financial framework for social entrepreneurship in the EU.

THE PANNELISTS:

Nadia Calvino, Deputy Director General at DG Internal Market and Services, who spoke on behalf of Commissioner Michel Barnier, mentioned the recovery path to growth while working for an economic model where nobody is left behind. She indicated the importance of an information society, SMEs, venture capital initiative, and facilitating the access to funding for social business as the latter is not being exploited fully. She explained that there are still barriers to develop social business, which she described as being specificities, indicating access to finance, visibility and a legislative framework for these types of societies. She said that from a recent Public Consultation on social business, the outcome showed that there is great interest but there were warnings to act carefully. In addition, she indicated that social business is many times considered as a very risky business and usually this type of business is funded by charity and public funds, referred to as two pillars by Nadia Calvino. She added that a financing gap is evident vis-à-vis the growth of the European Social Business sector. She stressed that there should be a third pillar that turns the above two pillars into private funds. She emphasised that investors should have trust that money is truly directed and invested for social business purpose. The Commission wants to ensure that sufficient safeguards for this type of investors are in place. For this reason, the aim of the Commission is to enhance transparency and clarity, facilitate cross-border funds by improving cross-border marketing through a passport, and develop a label for the European social business to make these types of businesses visible. Public financing is also taken into consideration to facilitate the direction of this type of funds to social business. Within this context, she mentioned the conference on microcredit to be held on 2nd December.

Sven Giegold, Member of the ECON Committee and Rapporteur for UCITS – European Parliament, congratulated the Commission for pushing the social business initiative forward. He said that he is satisfied with the definition of social business as it is not too general. He added that the definition should give a baseline scope that social business exists to solve social problems, while saying that there should be a clarity between social and environmental business in the definition. The aspect of social investment funds (SIFs) initiative is highly valid as he believes that there are people within Europe who are ready to support this initiative by adding value to society. He indicated that the problems that are encountered by small businesses are also faced by social businesses and therefore there is the need for a legislative framework to be in place for social business, encouraging social innovation, learning experiences in giving grants, lowering transaction costs and controlling the misuse of money which should start at the individual EU member state. Within the same context, he advised that the encouragement of social business has to be done with care not to harm credit for the traditional business within an economy. He also stressed that public procurement in Europe has to be reformed to provide goods in a social and responsible manner.

Richard Pelly, CEO of the European Investment Fund (EIF), indicated that it is important to address the needs of the market as it evolved, social change and innovation. He mentioned the need to support microfinance through using public money to stimulate social business and micro-institutions. He presented the European progress microfinance facility that provides support to microcredit intermediaries in the form of microcredit guarantees as well as in the form of funded instruments. He referred to this as being a public-private partnership in its own right and would welcome more of these capacities in Europe. This project offers a social impact and environmental facility by mobilising the private sector and providing finance. It is still in a pilot phase and EIF intends to make it grow to EU level. It is important to model the best structures for Europe not only private but also public. Thus, private funds, i.e. SIFs have to be more involved in this type of initiative.

Sir Ronald Cohen, Co-founder and Chair of Bridges Ventures and Chair of Big Society Capital Ltd (UK), said that the society has to deal with issues that do not go away. He questioned how to connect the social sector to the capital markets. He said that entrepreneurs think out of the box, i.e. the same process that is basically carried out for the normal business world. He believes that this can be done in the social sector as well, through innovation. He mentioned social impact bonds which serve as a watershed not for the profits that they generate but for their main purpose of social business. Their revenue model shows that social businesses do not need to go back to philanthropists but they are able to generate profits and use it for the purpose of the social business itself, thus making the business grow bigger. He indicated that there is a need of fund of funds, setting-up social investment banks which have to be helped at EU level.

Boris Marte, Member of the Board and Managing Director of the Erste Foundation (AT), said that trust in the economic and political settings is still not a confident matter when it comes to solving issues in making social business achieve its goals. He indicated that there should be a new form of reality characterising a holistic approach to facilitate the development of the available financial resources to the benefit of the social economy. For example the European welfare systems need a push through a holistic approach not really through equity, funds etc but through an approach stressed through a collaborative framework tapping at the local level. Marte said that it is extremely complicated to invest in a social venture. There should be a collaborative network between business society and the public sector. Thus, there have to be space for innovation and patient funding that is managed through a completely different concept from the normal business-making, which leads the way to let social innovation take place.

KEYNOTE SPEECH by José Manuel Barroso,
President of the European Commission
NB: the speech could be found at
http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/11/775

The 'Social Innovation Europe' initiative successfully created a platform which strengthens links within the community. Social entrepreneurship is a new step of this initiative and it has a significant impact on the economy and social integration. It is rooted in the Europe 2020 strategy, which calls for more intelligent, sustainable and inclusive growth. Although the Commission already built on social links to meet societal and environmental challenges before the crisis, the current economic and social climate requires social innovation to go hand in hand with ongoing reforms. To promote inclusion and sustainability, new business models are needed, which strike a fresh balance between markets and society. Solving the crisis is not just up to the governments: a civic approach is needed. It is a social and societal challenge and one must show respect to human dignity.

Social companies are key factors in this approach through their social dynamism: they create social impact rather than profit for owners and stakeholders. The Commission wants to help them to fulfil their potential, untapped until now, and to uphold their values of sustainability, inclusiveness and solidarity. This includes reducing the regulatory environment and improving the access to finance. Social enterprises not only seek to include people and share profits more fairly, but they also create jobs. In addition, they can have a competitive advantage, as consumers more often take social and environmental factors into account when choosing goods and services. The package adopted on 25 October 2011 is meant to help social businesses to remove obstacles they face. Together with state aid and public procurement changes, the key actions of the SBI will allow social innovation to flourish.

At the end of November 2011, the Commission will propose to mainstream social innovation in the new Horizon 2020 strategic framework for research and innovation, with a dedicated focus on inclusive, innovative and secure societies. This will complement a renewed effort on these issues by the European Research Council.

Session 3: How to promote social entrepreneurship, ensure better capacity building and foster entrepreneurs' education?

KEYNOTE SPEECH by Nick Hurd,
Minister for Civil Society of the United Kingdom

Mr Hurd underlined the importance of personal entrepreneurial initiatives, and presented the three main axes of Britain's policy in supporting social entrepreneurs
First, creation of **new market opportunities** through a public service reform designed to give the citizens more control over how public services are shaped and delivered. The public service markets will be opened up and a more diverse range of providers will be encouraged to compete for public services on a level playing field.
Second, the Government tries to **make life simpler** for social enterprises, e.g. reducing the regulatory burden or establishing more common measurements on social impact. The aim is to create consistent, accessible and credible **data** that can build trust for investors, and organisations that can allow the market to flourish. This policy tries also to make better connections between social enterprises and the traditional business sector, which has a lot of skills and resources
Third, **facilitating access to capital** for social entrepreneurs through development of new market – called social investment. The objective is to blend financial return and social impact, and to create a bridge between traditional capital markets and the social sector. The mission is to grow a new market, called social investment which for the moment is a small raising market estimated at around £160m.

PANNELISTS:

Heinz Zourek, Director-General, DG ENTR pointed out that the Commission has to stay neutral regarding the different forms of entrepreneurship. At the same time he noticed that the promotion of social entrepreneurship is very important. In this respect he noticed the importance of developing mapping of the sector in Europe and statistical data
Another key issue is the support for social enterprises in the next programming period 2014-2020. The Commission has already sent its proposals to the Parliament and Council and the social entrepreneurs have to address their proposals to the relevant national governments in order to provide adequate support through the Council.
HZ ensured that the Commission will continue to promote social entrepreneurship as a part of the common support for enterprises.

Pervenche Berès, MEP (S&D), Chair of Employment and Social Affairs Committee presented the initiatives of the European Parliament for promotion of Social Economy: the Intergroup of Social Economy, the Resolution on Social Economy of 2009 (Rapport Toia) and the recent study on the role of mutuals in Europe. She focused on the necessity of legal recognition of the European forms of "social economy" (e.g. cooperatives, mutuals, associations and foundations) and improvement of legislation in the area of State Aids and public procurement. She announced the intention of EMPL Committee to launch a legislative initiative for a Statute for European Mutual. As regard the visibility of the sector, she noticed that for the capacity building of the public administration there is a need of statistics in order to better justify the public policies. Concerning the financing, especially for the next programming period, Mrs Berès underlined that all financial legislations have to take into account social entrepreneurship.

Conny Reuter, President of Social Platform and Secretary of SOLIDAR, described the difficulties which social entrepreneurs face looking for financing, especially through the banks. Social entrepreneurship is traditionally supported by private-public partnership between social entrepreneurs and public authorities. If they ask for finance from banks they meet serious difficulties. Regarding the labelling he noticed that it means a recognition for social entrepreneurs but at the same time it is costly He also considers that a European Statute for these enterprises is needed.
In order to contribute to Europe 2020 he proposed to include social business it in the national programmes for reforms. Thus the Member States will be forced to make social investment, that is the future of the European socio-economic model, and in this sense the current social budgets have to be redesigned.

Caroline Casey, founder of Kanchi and Ashoka Fellow (IE) focused on people with disabilities, presenting the social entrepreneurship as a change from the model of charity to the model of contribution. Her organisation Kanchi creates business methodologies for social entrepreneurs and in this respect she noticed the power of social media for visibility and capacity building; the need of education, access to finance (mainly through overcoming the bureaucracy), access to patents. She concluded that the multiplecollaboration is vital for development of social entrepreneurship.

Mirjam Schöning, Senior Director and Head of the Schwab Foundation for Social Entrepreneurship noticed that we have to foster social innovation and we need more social entrepreneurs. As regard their education many universities have already programmes but there is a lack of education at secondary level. The Commission should seek ways to improve opportunities for social managers and ERASMUS for Young Entrepreneurs could play an important role in this respect. She underlined also the importance of access to finance and the role of social investment funds.

Discussion (questions and answers):
1. Mr d'Alençon (Bi-Solidaire): Is it possible to establish a European methodology for measurement of the social impact of enterprises, to include it in the accounting and to ensure on this basis tax advantages, access to credit, etc.?
Mr H. Zourek replied that there is no a commonly accepted method of accounting social impact. The Commission will try to see with stakeholders if and how is it possible to develop a methodology for measuring social impact. Regarding the traditionally measurement of impact based on the ratio gain/costs is not clear and it is not easy on this basis to establish social benefits .
2. Mr Andreas Heinecke (Dialogue in the Dark) - statement (not a question): the visibility and access to finance for social entrepreneurs have to be strongly supported .
3. Mrs Alexandrina Naimovich, European Civic Forum: What the Commission intends to undertake as initiator for adoption of European Statute for associations?
Mr H. Zourek underlined that the withdrawal of Commisson's proposals for Statutes for mutuals and associations in 2006 was a reaction to the lack of interest of the Member States in the Council and that this opposition increased after the enlargement. At this stage the Commission proposes to discuss with the other institutions the necessity of such European legal instrument.

Session 4: How to develop an adequate regulatory & economic framework for socially-driven ventures?

KEYNOTE SPEECH by Jaloul Ayed,
Minister of Finance of Tunisia

Need to consolidate democracy in Tunisia; this requires among others a strong civil society. Two big challenges remain: unemployment, development gap between different regions. Difficult to satisfy citizens' expectations. Government initiated Jasmin Plan with i) short-term actions and ii) medium-term actions. Short-term actions include micro-finance proposals and a new private equity framework to create true capital market for SMEs. Medium-term priorities include significant infrastructure investment plan. Since the public budget leaves little room due to high public expenditures for social policy objectives, the necessary funds will need to come from private sources. This government is seeking to facilitate through a framework fund leveraging private capital. The infrastructure investment program will create economic growth and unemployment. The government is planning similar investment partnerships with private investors for social projects, in particular in less developed regions of the country. The government will seek to bring together partnerships with private investors and civil society to develop projects in health, education etc. This will allow it to obtain better value for money than if it acted on its own.

PANNELISTS:

Gert-Jan Koopman:

The Commission is pursuing three work strands to improve the regulatory environment for social businesses. Firstly, it will look at the legal definitions of enterprises that operate in social sector, namely the existing but little used European statute for cooperative societies, a European statute for a cooperative society, a European foundation statute and a European statute for mutual societies. Secondly, it will look at public procurement, notably at how it can enhance the element of quality in awarding contracts in the context of the forthcoming reform of public procurement especially in the case of social and health services. It is also looking at how working conditions of persons involved in production processes can be taken into account. Thirdly, in the field of state aid policy it will seek to simplify the implementation of existing rules on smaller social services by potentially proposing a *de minimis* rule exemption them from certain prior notification obligations.

Maria Nowak:

Advantage of social businesses is to bring into the economy activities that so far have too often been left to social policies. Three crucial principles: confidence in citizens, simple solutions (apply common law system), take holistic view.

Hugues Sibille:

Commission now needs to deliver on its ideas outlined in the Social Business Initiative. The Commission and the social business sector should work together, e.g. in defining legal definitions, setting up tools to compare situation in different Member States, including on statistics and for decision-makers to exchange experiences. Need favourable ecosystem for social businesses. Access to finance is crucial (seed capital; structural funds). Access to public tenders should also be improved for social enterprises: national authorities do not use social clause in EU public procurement legislation.

Martina Romanello:

Social enterprises provide a means to react to the present social crisis. The project Musica e Parole in Naples is an example for this. It helps to re-integrate victims of the mafia into society through theatre projects. The main obstacle faced by the project is bureaucracy.

Felix Oldenburg:

Social needs are changing fast. The problem is not really the regulatory framework but more the capacity of the decision makers to properly address social needs of social enterprises. Social innovators will always find a way to build up their own business; even creating a "hybrid structure". Importance of the high political commitment of this conference but the follow up is equally important. Finally, in order to measure the success of social enterprises it is essential to use the correct indicators.

CLOSING REMARKS by Commissioner Andor
NB: the speech could be found at
http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/11/779&format=HTML&aged=0&language=EN&guiLanguage=en

The Social Business Initiative is about creating and strengthening sustainable eco-systems for social enterprise. The eco-systems of social enterprises are different from the ones of traditional SMEs and should reflect their specificities: their social mission; the way social enterprises operate and are managed; and their links to social innovation networks and initiatives, etc.

It is necessary to align public support to the actions of other promoters and civic society actors and meet the specific needs of the different stages in the life cycle of social enterprises. Actions at EU level can stimulate the development and sharing of best practices, simplify procedures, strengthening their recognition and their links with civic and community organisations that promote social innovation.

Reviewing the day, the Conference has achieved its objectives to raise awareness on the social value generated by social enterprises, and the contribution they make to the Europe 2020 strategy; to show how social businesses can contribute to social innovation, the single market, employment and social inclusion; and to start action to implement the Social Business Initiative at all levels.

It is now up to the Commission to implement the actions under the Social Business Initiative in partnership with the Member States. This process will be followed, monitored and supported by a multi-stakeholder group on social business which will be made up of Member State representatives, local authorities, social entrepreneurs' organisations, the banking and finance sector and the academia.