



**European Committee  
of the Regions**

**SEDEC-VII/033**

**153rd plenary session, 8-9 February 2023**

## **OPINION**

### **Creating an enabling environment for the social economy – the local and regional perspective**

#### **THE EUROPEAN COMMITTEE OF THE REGIONS**

- enhances the importance of vibrant social economy ecosystems which can build on supportive legal frameworks and policies on financing, taxation and public procurement, but also the creation of an institutional setup that involves a subsidiarity approach between the European, national, regional and local levels of government;
- calls for an "operational concept" of social economy, respecting the diversity of already existing systems and including all businesses that meet certain organisational and operational criteria, in order not to exclude them from crucial support for developing this sector. This would allow for more coherence and convergence in policies at European, national and regional levels and would ease mutual recognition (capacity to operate cross-border) and visibility of the social economy model;
- stresses the urgency of establishing modern and effective social economy policies and legal frameworks which facilitate access to finance and markets to achieve upwards convergence among regions and Member States, and the need to mobilise public and private funding tailored to the needs of the social economy; in this context, emphasises the need for enabling frameworks for the sector to develop cross-border cooperation and internationalization;
- identifies the lack of access to finance as one of the main obstacles preventing social entrepreneurship from prospering. It is therefore important to foster synergies among funding instruments and to continue mobilising private finance, patient capital and advisory support, tailored to the needs of social enterprises and social economy organisations;
- encourages Member States to mobilise resources from EU funding, including the Recovery and Resilience Facility, and establish, with the help of Invest EU, a "Guarantee fund for small and medium social economy entities";
- calls for policies promoting socially responsible public procurement and the inclusion of social requirements in tenders as a means to help develop the social economy.

Rapporteur

Ricardo RIO (PT/EPP), Mayor of Braga

**Opinion of the European Committee of the Regions –  
Creating an enabling environment for the social economy – the local and regional perspective**

**I. POLICY RECOMMENDATIONS**

THE EUROPEAN COMMITTEE OF THE REGIONS

1. endorses the European Commission's *Action plan for the social economy* (2021) and considers it was very important to address the vital challenges of the sector;
2. recognises the cross-sectoral nature of the social economy and the fact that it covers different types of entities and meanings in different countries. There are important challenges for public authorities, especially at the local and regional level, making it difficult to develop an effective approach; for this reason, stresses the added value of involving the European Committee of the Regions in dialogues and cooperation on the social economy with the European Commission and other relevant stakeholders;
3. welcomes the Social Economy Action Plan and the announcement in the Commission Work Programme for 2023 of a subsequent Commission proposal for a Council Recommendation on developing social economy framework conditions. The present opinion represents the CoR's and local and regional contribution to these initiatives and reflects the crucial role of LRAs in supporting social economy organisations in the territories;
4. stresses that the ongoing climate emergency, the consequences of the COVID-19 pandemic, Russia's aggression against Ukraine and the current record inflation rates make a just transition to a more resilient and sustainable economy even more pressing, and in this context, the interest in the social economy has increased given the need to foster policies and new models for sustainable and sustained development. In other words, innovation is needed not just for support policies, but also various social and regulatory policies;
5. points out that it is time to boost the visibility of and obtain new data on the social economy, including at local and regional level, as well as to promote these data, best practices and existing initiatives among new audiences, including young people;
6. suggests the creation of a formal Observatory for the Social Economy in Europe, which can engage different stakeholders, monitor the evolution of the social economy sector and suggest initiatives to improve the framework of development of the social economy organisations participating in the co-construction of public policy at national, regional and local levels;
7. enhances the importance of vibrant social economy ecosystems which can build on supportive legal frameworks and policies on financing, taxation and public procurement, but also the creation of an institutional setup that involves a subsidiarity approach between the European, national, regional and local levels of government;
8. challenges the EU institutions, the Member States and the LRAs to develop a joint Plan for the Promotion of the social economy, translating into practice the subsidiarity vision;

9. stresses the priority investment in both institutional capacity building and human resources training, to strengthen the adaptability and resilience of the sector;
10. supports enhancing education and communication campaigns on social economy entrepreneurship, including on financing and on the EU support available for the sector. This should be carried out in cooperation with all levels of government and in collaboration with related stakeholders;
11. calls for an "operational concept" of social economy, respecting the diversity of already existing systems and including all businesses that meet certain organisational and operational criteria, in order not to exclude them from crucial support for developing this sector. This would allow for more coherence and convergence in policies at European, national and regional levels and would ease mutual recognition (capacity to operate cross-border) and visibility of the social economy model;

#### The Social Economy in Europe and the Member States

12. stresses the need to tackle the diversity of definitions and legal frameworks, as well as different methods of data collection, which make any country-based and regional comparisons of the weight and contribution of the sector difficult;
13. reiterates its call to the European Commission "to develop a suitable European legal framework for the social economy, which provides for a common definition, and for the organisation and inclusion of businesses that meet certain organisational and operational criteria,"<sup>1</sup> in order not to exclude them from crucial support for developing this sector;
14. urges national, regional and local authorities to better tap into the potential of current rules on the specific provisions for services of general economic interest (SGEI) to make full use of the possibility to recognise social economy entities carrying out an economic activity as an SGEI where relevant; also calls for full advantage to be taken of the potential of social economy entities for developing and improving public services by involving them in managing said services;
15. acknowledges the positive effect of the EU Social Business Initiative (SBI) and its follow-up activities on the regulatory and institutional operating environments of the social economy and social enterprises, but regrets that single and clear entry points in public administrations need further development;
16. appeals to all levels of government to create long-term and well-financed strategies to promote the social economy, developed in dialogue with the sector and in coherence with the EU Action Plan for the Social Economy and its definition of the social economy;

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<sup>1</sup> CoR 5860/2020.

17. stresses that there is a need to create more informal and simple support systems for the social economy, as – where they exist – they are often highly formalised, and overload social economy organisations with an administrative burden;
18. considers a good practice for Member States to officially introduce the concept of the social economy into public language, adopting a definition that reflects the main values and principles expressed in the EU definition;
19. pleads for the nomination of "national and regional ambassadors" for the social economy to boost the sector. There is a need to facilitate experimentation, piloting and capacity building within the social economy;
20. stresses the role of social entrepreneurship and the need to promote it as a valuable alternative to both for-profit and non-profit business; and highlights the role and utility of such entrepreneurship in strengthening social cohesion in disadvantaged and less developed areas, in the considerable impact that these structures have in terms of combating depopulation and the rural exodus, and in fulfilling missions of general interest, particularly where public support is concerned;
21. pushes for the implementation of strategies strengthening the capacities of social economy organisations for the digital and green transitions, providing support with resources and skills so that they can transform and improve their performance;

#### Creating the right framework for the social economy

22. stresses the urgency of establishing modern and effective social economy policies and legal frameworks which facilitate access to finance and markets to achieve the upwards convergence among regions and Member States, and the need to mobilise public and private funding tailored to the needs of the social economy; in this context, emphasises the need for enabling frameworks for the sector to develop cross-border cooperation and internationalisation. Against this background, the CoR welcomes the announcement by the Commission that a legislative initiative on a statute for European cross-border associations and non-profit organisations will be presented in 2023;
23. highlights the additional obstacles preventing social economy actors from operating transnationally in the Single Market, stemming from the diversity – and sometimes the lack thereof – of comprehensive legal frameworks covering all legal forms within the social economy such as cooperatives, worker-owned companies, mutual societies, associations, foundations and social enterprises;
24. finds that the social economy is transversal and should be considered in several areas. A good example of this multiverse approach are policies around the Internal Market and enterprise policy, where small and medium-sized enterprises and start-ups can be helped to grow, expand and thus create employment and contribute to cooperation, collaboration and the competitiveness of EU economy;

25. appeals for integration within a more or less homogeneous statute at European level of the different statutes or labels that exist within the Member States to characterise companies that pursue a profit-making purpose while having a positive social and environmental impact;
26. recognises the need to improve the data related to the social economy, suggesting that the EU introduce appropriate indicators for evaluating social economy investments;
27. highlights how public authorities and beneficiaries could better benefit from existing possibilities offered by flexibility with regard to State Aid in support of the social economy;
28. calls for the promotion of alliances and joint work processes between the third sector, public sector and private sector to address social, economic, educational, environmental and ecological challenges by providing skills, resources and know-how to meet a common goal;

#### Best practices of the role of local and regional governments

29. ponders on the fact that actors in the social economy have a strong local anchorage – and consequently great potential to unite the territory in a cohesive way, reducing inequalities on the one hand and revitalising the economy on the other – and calls for the national authorities to allow local and regional entities to implement the means best suited to the local context to support the development of the social economy on their territory. Stresses therefore that cities and regions should be granted accessible, transparent, comparable, and stable financing schemes regarding the social economy;
30. considers that local and regional authorities should have a coordinating function to create regional meeting platforms or external collaboration structures for the social economy. In particular, they should promote the creation of a public-private network that would support the establishment and consolidation of social economy in the area, coordinating public and private entities, in particular educational institutions based in the area and committed to its economic development and social cohesion. Such a function should also coordinate the development and experiences of regional and municipal policy development in the area;
31. pleads for the enhanced participation of social economy organisations in the local economic decision-making process. LRAs should develop socially responsible public procurement processes and standards, paying sufficient attention to economic actors that present a social inclusion perspective and to environmental concerns;
32. suggests the institutionalisation of regional mechanisms of dialogue and support between regional and local governments and social economy networks, to channel financial opportunities, establish capacity building opportunities and better support entities on the ground; to this end, considers that each Member State should have ministries/departments/agencies with a designated responsibility for the development of the social economy and a clear mandate to pursue related topics;
33. asks for the establishment of training and capacity building opportunities for economic and social entities at local and regional level to shift and scale up their business model towards greater resilience, autonomy and attractiveness of careers in the social economy. Therefore,

calls for specialised training on social entrepreneurship to be included in the various stages of formal education and vocational training, in universities, and throughout all levels of education;

34. stresses that importance of continued and enhanced coordination between the local and regional levels of government, both within the same Member State and across the EU when it comes to the social economy and social enterprises;
35. suggests a mentoring approach through twinning between territories already experienced in developing local and regional ecosystems and related legal frameworks for the social economy and those having no or less experience;
36. pushes for continuous knowledge development and coordination between municipalities and regions also within Member States when it comes to the social economy and social enterprises. National strategies could promote this cooperation – also through the promotion of related actions in existing networks of local authorities and regions at the national level;
37. advocates the role of social entrepreneurship to facilitate the transition of the economy towards a more economically, socially and environmentally sustainable model. To do this, LRAs must find means to increase the attractiveness of the recognition of the social economy, for example through widespread communication campaigns, strengthening the access of social economy players to public contracts, and through targeted financial support;
38. calls for the establishment of the official title of European Capital of the Social Economy;
39. supports the need to ensure that EU measures take the local and regional perspectives into account as well as the dissemination of successful pilot initiatives and good practices led by social economy stakeholders within government recommendations, and to promote their replication through social economy networks and public communication. This could be done with a specifically dedicated new social economy platform, with the active participation of the European Committee of the Regions and working together with all relevant stakeholders;
40. proposes the improvement of the access of local and regional governments to information on European funds and programmes, such as the European structural and investment funds, and the strengthening of the links between the EU and local/regional levels, as well as improving awareness of the role of the social economy sector in local and regional communities;

#### Better funding, taxation and access for markets

41. welcomes the Commission's proposal to set up an EU Social Economy Gateway, compiling an inventory of public policies and funding for the sector, and its proposal to increase the availability of public funding;
42. identifies the lack of access to finance as one of the main obstacles preventing social entrepreneurship from prospering. It is therefore important to foster synergies among funding instruments and to continue mobilising private finance, patient capital and advisory support, tailored to the needs of social enterprises and social economy organisations;

43. calls for the potential of the social economy to be explored in the areas of vocational training, universities and all levels of education, and in active employment policies, as well as skills and competencies development, therefore the Commission should support the training and life-long learning access of social economy workers in areas such as digitalisation, participatory leadership, resilience and the green transition, in order to support them to enter or remain in the labour market of social economy enterprises;
44. considers that complementary to the green taxonomy as a contribution to the implementation of the Green Deal, the Commission should urgently make a proposal to establish a social taxonomy. A social taxonomy would provide potential investors and enterprises with a clear guidance as to what can be understood as "social investment". The absence of a social taxonomy currently hampers possible private investments into the social economy;
45. proposes the reduction of barriers preventing social economy actors from accessing national and EU funds, and better adaptation to local realities. For instance, EU and national financial support programs should be tailored to specific territorial needs and contexts and also should be a secure and predictable system of financing social services from the central level to local authorities. A good example was the social innovation funds promoted in the last European budget, which helped new social projects to emerge all across the Member States;
46. embraces the advances in cohesion policy created by Next Generation Europe regarding the social economy and the new opportunities provided. However, there remains the need for cities and regions to have direct access to these funds;
47. stresses the need to develop at EU and Member State level a fiscal framework for the social economy that would address unfair competition linked to the fact that social economy actors mainly rely on their own funds;
48. encourages Member States to mobilise resources from EU funding, including the Recovery and Resilience Facility, and establish, with the help of Invest EU, a "Guarantee fund for small and medium social economy entities";
49. encourages a tax policy which acknowledges functions that are in the general interest. For instance: implementation of real tax solutions to support the social economy sector (concessions, exemptions, both at the level of income tax and VAT), improving the financial benefits of being a social economy entity or social enterprise (both directly for social economy entities and for people/companies using services or buying certain goods from social economy entities). The CoR therefore requests the Commission to pay special attention to tax provisions for social economy entities in the legislative initiative Business in Europe: Framework for Income Taxation (BEFIT);
50. considers urgent the implementation of fiscal measures beneficial for the social economy sector, and guaranteeing better fiscal benefits (social security, personal income tax) in the hiring of people in situations of and/or at risk of vulnerability, with special support for business models that employ mostly these people (special employment centres and integration enterprises);



51. supports the reserving and standardising conditions to guarantee access to the labour market for adults with some type of cognitive disability: the current regulation (2% reservation quota) is not sufficient and not fulfilled in many cases. Targeted awareness-raising campaigns should be undertaken on this subject;
52. considers that there is a special need for the creating of better and simple regulation to give access to credit for social enterprises;
53. calls for policies promoting socially responsible public procurement and the inclusion of social requirements in tenders as a means to help develop the social economy sector;
54. asks for facilitation of access by the social economy to public procurement using opportunities provided already by the European Public Procurement Directive, and to promote capacity-building both in relation to civil servants and in relation to the social economy;
55. asks for clearer rules regarding State Aid to social economy entities, and for their differentiation from other types of companies. In the same vein, social economy should be treated differently with regard to compatibility of State aid with the single market, in the application of Article 107(1) of the Treaty on the Functioning of the European Union. It would be important to have a specific State Aid regime for social economy actors and enterprises active in the social sector, when they act where there is a market failure. For instance, in France there is a savings fund that is converted into a social economy investment (10%). The country also has a label for highly innovative, ecological companies that fulfill a social function, which gives tax benefits to investors, as these are companies with lower profitability;
56. defends the idea that the European legal framework must allow recognised social enterprises to access European public markets without being placed in competition with conventional enterprises, in that they meet social needs or carry out public service missions while being mandated by government. This could be an asset for public authorities which put in place a legal framework for the social economy involving a system of approval and funding.

Brussels, 8 February 2023

The President  
of the European Committee of the Regions

Vasco Alves Cordeiro

The Secretary-General  
of the European Committee of the Regions

Petr Bližkovský

## II. PROCEDURE

<b>Title</b>	Creating an enabling environment for the social economy – the local and regional perspective
<b>Reference(s)</b>	-
<b>Legal basis</b>	Article 307 TFEU
<b>Procedural basis</b>	Rule 41(a) of the Rules of Procedure
<b>Date of Council/EP referral/Date of Commission letter</b>	12 September 2022
<b>Date of Bureau/President's decision</b>	-
<b>Commission responsible</b>	SEDEC Commission
<b>Rapporteur</b>	Ricardo RIO (PT/EPP)
<b>Analysis</b>	
<b>Discussed in commission</b>	12 December 2022
<b>Date adopted by commission</b>	12 December 2022
<b>Result of the vote in commission (majority, unanimity)</b>	Majority
<b>Date adopted in plenary</b>	8 February 2023
<b>Previous Committee opinions</b>	An action plan for the social economy <sup>2</sup> The role of the social economy in restoring economic growth and combating unemployment <sup>3</sup> Guidelines for the Employment Policies of the Member States <sup>4</sup> Entrepreneurship 2020 Action Plan <sup>5</sup> Responsible Business package <sup>6</sup> Partnerships between local and regional authorities and social economy organisations: contribution to employment, local development and social cohesion <sup>7</sup>
<b>Date of subsidiarity monitoring consultation</b>	N/A

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<sup>2</sup> CoR 5860/2020.

<sup>3</sup> CoR 1691/2015.

<sup>4</sup> CoR 1419/2015.

<sup>5</sup> CoR 2447/2013.

<sup>6</sup> CoR 14/2012.

<sup>7</sup> CoR 384/2001.