

Contribution to the consultation on ‘Unlocking the potential of the social economy for EU growth’ organised in preparation of the European Conference on Social economy. 15 September 2014

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Preliminary remarks

Cooperatives Europe is the European representative organisation of cooperative enterprises. Cooperatives Europe defends the interests of its members and increases the knowledge about the cooperative enterprise model through advocacy, development and communication. More than 160 000 enterprises operating under the cooperative model across Europe are key players across a wide spectrum of economic and social areas.

Cooperatives Europe welcomes the consultation launched on 5th August to gather ideas and proposals for the topics to be discussed during the European conference taking place in Rome on November 17 and 18.

Cooperatives are the largest player within the Social Economy representing around 50% of all social economy enterprises and employment. Given their importance in the EU economy, such as in agriculture, banking, retail, housing, social services, etc. cooperatives have been leading the struggle for recognition of the plurality of business forms in the EU.

In 2013 the EU Commission launched a regular dialogue with cooperatives from all sectors and countries in the EU, initiated by Commissioner for Enterprise & Industry, Vice-President

Tajani, in order to jointly develop a EU cooperative roadmap. This roadmap aims to put forward concrete policy recommendations for EU and national policymakers in critical development areas for cooperatives, such as in financing & business development services as well as with regard to cooperative education & entrepreneurship.

For Cooperatives Europe, this conference should have three objectives:

- To promote Social economy as a key pillar of the EU economy,
- To recognize the diversity and plurality of businesses within the EU including the various social economy actors, in order to provide a level playing fields for all different business forms,
- To develop recommendations for strengthening the social economy within the EU internal market.

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Question 1: Much as biodiversity is important for the environment, there is increasing evidence that markets and society benefit from having a diversity of enterprise forms. What is the unique contribution that social economy enterprises bring to the European continent in terms of social and economic development? In what ways do they help address the needs of European citizens beyond what the public sector or other enterprise types can do (e.g. provision of additional social or general interest services, mobilization of additional entrepreneurial resources on the part of individuals that are not motivated by profits, more inclusive employment opportunities, recuperation of failing enterprises, etc.)? What is their importance for the growth of citizen participation in the economy and society? Are these contributions sufficiently well known and recognized?

According to Cooperatives Europe, one of the key contributions and characteristics of social economy enterprises is to put people first. Members of a cooperative (as users, producers, employees/workers or consumer) are men and women who are the owners of the enterprise. They develop the enterprise according to their needs and aspirations (be they economic, social, cultural, etc.). The objective is therefore not to maximize profits for external investors but to focus on the long-term sustainability of the cooperative in the interest of its members based on specific principles and values. Cooperatives therefore distinguish themselves from other forms of businesses contributing to a more diverse and thereby more plural and resilient European Economy.

Question 2 +3 (the same): Do European regulations of enterprises and markets (ranging from accounting standards to state-aid regulation and procurement rules) sufficiently take into account the importance of entrepreneurial and organisational diversity? Are the specificities of social economy organisations sufficiently recognized by regulators when they seek to “level the playing field” for all enterprise types? Are there particular policies adversely affecting social economy organisations?

Cooperatives and other social economy enterprises simply ask to be able to develop their activities while keeping their characteristics and operating model. They therefore require a level playing field that is currently not properly sufficiently developed. This is mainly linked to insufficient knowledge about the cooperative characteristics and the fact that the key reference is the shareholder company.

Question 4: In some countries the differences between social economy organisations and other enterprises are made explicit through specific legal constraints to their activities (e.g. profit distribution constraints, asset locks, etc.), which in turn give access to a range of fiscal benefits. Ideally, what are the constraints that should be posed on social economy organisations in order to best justify a differential treatment in terms of fiscal policy?

Cooperatives Europe does not share the approach of putting ‘constraints’ and providing ‘fiscal benefits’ to social economy enterprises. In general, rules concerning cooperatives which are in line with the cooperative principles, which respect the working and management logic of cooperatives and which respect the logic of the system do not create an advantage but are simply the recognition of the level playing field for cooperatives. Cooperatives do not ask for special favours from legislators, but for recognition of their business model and equal treatment.

Question 5: Unlike shareholder corporations, which are defined and regulated in similar ways across Europe, the laws regulating the different types of organizations that make up the Social Economy (cooperatives, mutuals, foundations, associations, social enterprises, etc.) vary significantly from country to country. Is this variety a strength to be cultivated or would a greater convergence towards shared European definitions and appropriate legal frameworks that take into account the specificities of each form be preferable?

As stated in the Regulation (EC) No. 1435/2003 on the Statute for a European Cooperative Society, cooperatives are ‘economic agents with particular operating principles that are different from those of other economic agents’. These cooperative principles are operational guidelines by which cooperatives put their values into practice. These principles are therefore the common basis of all the different national and regional regulations regarding the cooperatives. The convergence towards a common regulation is not our primary focus rather ensuring the respect of the cooperative principles that each EU member state has transposed in their national legislation while adapting them to their specific legal, fiscal, economic and social environment. What we ask from EU regulators is a differentiated regulatory approach, which takes the diversity of EU enterprises and forms into account rather than creating a ‘one size fits all approach’. Regarding shareholder enterprises it is to be pointed out that their regulations vary also from country to country.

Question 6: How can the European institutions, the Member States and regions best integrate social economy actors into their process of structural reform in order to fulfill and leverage the potential of these organisations in terms of economic and social development?

From the early stage to the implementation of a regulation, cooperatives and other social economy enterprises should be closely associated in the process of structural reform. Any expert group set up by the European Commission for example, should at least have one cooperative representative amongst others, in order to ensure that the plurality of business form is adequately represented.

Question 7: What is the role of statistics and research in filling the gap between the importance of the Social Economy and its visibility? Should national statistics offices be more involved in the production of data on these organizations? In particular, how can they contribute to revealing the economic relevance of each type of social economy organization? Is there a need for more specialized research and training on the Social Economy in European universities?

EU and national research funding should be allocated for studying cooperatives in Member States, to create strong research-based knowledge on cooperatives in order to support practical decision-making and cooperative education at all educational levels.

Educational systems do not take into account social economy business models, including the cooperative one. By promoting all types of enterprises in schools we would ensure a healthy diversity of businesses in the European Union, diversity that is a key factor for development.

Question 8: EU statements concerning the Social Economy often stress two characteristics of these organisations: their deep roots in local communities, and the need to scale up their activities. But how can these two principles be reconciled?

The various sizes of cooperative enterprises and their economic success demonstrate that these characteristics are not conflicting.

Question 9: Social economy organizations have a long and well-documented history of collaboration and partnerships with the public sector, and the relationship between these two actors is constantly evolving. Along which lines can the relationship between social economy organizations and the public sector be further strengthened and developed in the future?

Question 10: How would you characterize the relationship between social economy organizations and private sector corporations? What are the most interesting examples of social economy organizations and shareholder corporations joining forces in order to achieve common goals?

Question 11: When it comes to social enterprises, the distinction between social economy organizations and for profit corporations has not been very clear until recently. The Strasbourg declaration stated that only the enterprises that have not only an explicit but also a prevalent social goal should be included under the umbrella of “social enterprise”. Is this statement sufficiently clear or does it need further clarifications?

Cooperatives Europe is of the position that democratic governance and transparency are also key characteristics for the definition of social enterprises making them part of the social economy.

Question 12: The issue of social innovation has gained significant importance in recent years. Official EU documents contain several references to the role of social economy organizations as producers of social innovation. What elements characterize the specific contributions of social economy organizations to social innovation processes?

By being locally anchored with a close connection to their members, cooperatives and other social economy enterprises are more aware of social needs, which put them in a unique position to anticipate trends and be prepared to provide solutions. They innovate in social services or new sectors of activities such as the renewable energy cooperatives.

Question 13: If social impact is the key element differentiating social enterprises from other businesses, which indicators and methodologies should be used to measure it? Should the measurement and reporting of social impact on the part of social economy organisations be

mandatory? Which standards, if any, should it follow? What role can research institutions and national statistics offices play?

Question 14: How important are financial instruments in supporting the growth of social economy organisations? What types financial instruments and intermediaries are best suited to serve the needs of organisations that do not seek to maximise profits? Does the sector need specific training in order to become investment ready? What is the potential role of intermediaries such as ethical investment funds, ethical or solidarity banks and cooperative banks, or of instruments such as impact bonds?

As discussed within the specific meeting on financing of the WG cooperatives set up with the Commission, financing of cooperatives is one of the key challenges to tackle. Some barriers are linked to the lack of understanding of the business model of cooperatives, while others are linked to the current economic context. At European level it is necessary to improve awareness on existing programmes since the EU works through financial intermediaries, which do not have any specific knowledge about cooperatives. We should also promote initiatives from national cooperative organisations that put in place their own non-banking funds to provide financing for cooperative.

Question 15: What role can Information and Communication Technologies (ICTs) play in supporting the development and delivery of new general interest services through social economy organizations? For example, how can ICT foster member participation and enable more informed and responsible consumption and saving decisions (e.g. apps providing information to consumers on the social and environmental characteristics of products, multistakeholder web platforms, web-communicated ESG rating)?

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