



**POSITION PAPER**

## **The contribution of cooperatives to the future European Action Plan for Social Economy**



## INTRODUCTION

Cooperatives are enterprises that aim to be competitive on the European market, while pursuing societal objectives and contributing to social cohesion. Their democratic, participatory and inclusive governance involve their members and/or their communities.

With their characteristics and like other actors in the social economy, they enable people to become key actors in their own social and economic development, thus contributing to the economic and social dynamism of the EU, while creating positive externality for the environment. They are therefore an essential actor for Europe's sustainable growth and recovery strategy.

This is attested by the fact that the article 54 of the Treaty on the Functioning of the European Union (TFEU) officially and nominatively mentions cooperatives and the adoption of the Regulation on the Statute for the European Cooperative Society, which sets the rules for cooperative enterprises willing to extend their action beyond national borders. Cooperatives' specific governance is also notably recognized by the European Court of Justice in September 2011 on State Aid issues<sup>1</sup>.

Since then, the importance of cooperatives has been highlighted in several initiatives starting from the Social Business Initiative, the Council Conclusions on "The promotion of the social economy as a key driver of economic and social development in Europe" and the GECES report. There is also a whole "acquis" of official EU documents and conclusions of European Social Economy Conferences organised by Member States in the framework of the EU Presidencies that highlight the central role of these enterprises in the success of the European project.

The economic and social crisis that the EU is going through as a result of the Covid-19 pandemic reinforces the need for specific initiatives for this sector to be able to respond to the current and future challenges they will face in the short and medium term.

Therefore, this European action plan for Social Economy is of particular importance because, in addition to assuming the importance of this entrepreneurial, economic and social phenomenon in the European context, even more so in the current pandemic emergency phase, it makes it possible to focus on important matters to the very identification of favorable measures.

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<sup>1</sup> Joined Cases C-78/08 to C-80/08 Ministero dell'Economia e delle Finanze and Others v Paint Graphos Soc. coop. arl and Others.

## I- MAIN LINES OF ACTION

A European Action Plan for the Social Economy will be a major development tool for these enterprises. As stressed by Cooperatives Europe in several GECES meetings, this future support plan should therefore prioritise on:

- (1) Increasing the visibility and knowledge of cooperative enterprises and in general social economy enterprises and recognise them as a transversal actor in the socio-economic policies of the European Union.
- (2) Providing, within the framework of the European Single Market, an ecosystem conducive to the development of cooperatives and other social economy enterprises, in particular by facilitating access to finance and investments, creating quality jobs and enabling them to fully operate at transnational level within the Single Market.
- (3) Placing cooperatives and other social economy enterprises at the heart of technological innovation, green and digital transition, social innovation and resilience and therefore allowing significant investments for our enterprises in this field.
- (4) To enhance structured models of cooperation among public institutions and the social economy actors which, in using common resources, are able to combine social and economic impact.

These objectives can be achieved through actions or implementation of policies at both European and Member State level, which must be integrated into each European Union strategy. Cooperatives Europe would like to draw attention to some specific points.

## II- CROSS-CUTTING SUPPORT WITHIN THE EU

### (1) Recognition and visibility

Cooperatives and other social economy enterprises are a specific model of economic and commercial activity because of their governance and objectives. Acting in all sectors, they are subject to different rules and policies and should therefore benefit from a transversal approach within the different European policies. This seems to be the axis that has now been opted for and which Cooperatives Europe welcomes, for example, the reference to social economy enterprises in the *Start-Up and Scale-up Initiative*. Generally speaking, the objectives and means of the action plan must be in line with all European policies.

This recognition should be more evident in the implementation of European programmes. Even if there has been recently progress in taking into account social economy enterprises in the definition of European programmes, some other actions could be implemented in order to allow cooperatives and social economy structures to apply for European funding more easily and successfully.

These would include mentioning social and cooperative economy actors as potential candidates or aiming at objectives falling within the field of social and cooperative economy in the programme. In the same way, the financial administrative management should perhaps take more into account the specificity of social economy actors compared to consortium of consultants who eventually turn to social economy structures to carry out the projects they propose. Finally, there is a lot of work to be done on access to information in relation to these programmes and calls. A website dedicated to social and cooperative economy enterprises might be one concrete action to be implemented.

### (2) Funding and support services

Cooperatives are often confronted by a lack of knowledge of their model by private investors, which further limits their access to capital. This has been highlighted in our [survey report](#) following the questionnaire carried out among our members on the impact of Covid-19 on their activities. This is shared by all the social economy enterprises that are not listed and cannot have access to market financing. The riskier profile and potentially lower profitability also make private investors reluctant, especially as cooperatives' democratic governance does not allow decision-making by the investors.

Therefore, actions are needed to ensure that cooperatives are specifically promoted as eligible beneficiaries of financing while maintaining their cooperative structure, through all financial instruments and support measures, and by extending the current sources of financing to cooperatives. Specific funds, such as those existing in France or Italy, and equity securities within cooperative social economy enterprises, would deserve to be encouraged and promoted.

The Next Generation EU is an important tool, which, to be useful, must develop collaborative models and co-planning between public bodies and Social Economy actors; incentives for capitalisation, networks and aggregations capable of promoting synergies and cooperative networks.

### (3) Regulations

In addition to financing, regulation is the second pillar of a system that will allow cooperatives and social economy enterprises to develop. On the one hand, it is fundamental that the Commission ensures that the plurality of forms of enterprises is taken into account during the drafting and revision phases of European regulations. Indeed, characteristics of cooperatives does not only lie in their social objective but also refers to their specific governance structure which differentiates them from traditional enterprises. Cooperatives must be on a level playing field in the market with other forms of enterprises.

A Coop-test, carried out on the SME model test, would also allow legislative proposals to comply with Article 54 of the TFEU, which mentions cooperatives and recognises the plurality of forms of enterprises.

The Fit for Future Platform (F4F) will also have to take this aspect into consideration, ensuring that the draft texts will not hinder the development of social economy enterprises but, on the contrary, support it.

#### (4) Facing today's challenges

##### **§1. On digitalisation issues**

New technologies and digitalisation represent both a huge potential for social economy enterprises but also major challenges. The European Commission's strategy to enable the digital transition must allow all types of actors to benefit from it.

Thus, the Action Plan must both allow the innovative actions carried out to further develop, but also ensure their promotion towards the public authorities, particularly through their actions at a local level. Moreover, the Plan should enable to bridge the important gap in terms of the current digital skills and capacities of social economy enterprises and to see what would be more specifically necessary for them.

Considering that some social economy and social enterprises in particular are lagging behind due to their lack of expertise in digitalisation, the EU should ensure that they have the skills not only to benefit from the opportunities of digitalisation, but also to face the particular risks it might present.

The digitalisation process, the technological transformation, the platforms and the data management (data cooperatives) are important, offering wide fields of work and collaboration. An opportunity that we cannot miss, a dimension of pluralism in entrepreneurial forms. It is important to support cooperative platforms, with widespread ownership, in the field of corporate and territorial welfare, formal and non-formal education, renewable energy and cultural planning, as well as network platform or sectoral platform capable of contributing to common goals.

##### **§2. On environmental issues (EU Green Deal)**

Cooperatives provide a social economy enterprise model at the forefront of a just green transition. Cooperatives are among the key innovative leaders in renewable energy generation, responding to communities' needs. They contribute to innovative initiatives in the circular economy.

Unlocking the full potential of the cooperative model must be part of the decarbonisation strategy of the European economy as well as of the EU initiatives promoting a fair green transition in favour of all private sector actors, including cooperatives and other social economy enterprises.

#### (5) Diversity in cooperatives

##### **§1. On youth entrepreneurship through education**

It is essential to promote the different types of business models that exist to young people. This requires an adequate entrepreneurial education at all levels. This is why Cooperatives Europe has developed and implemented the Coop4EDU project, which establishes a European platform for collaboration between the cooperative movement and the academic world, through an EU-wide strategic partnership,

and aims to empower higher education institutions to stimulate and support cooperative entrepreneurial initiatives.

It is therefore necessary that the plan to support the different actors in social economy stresses the importance of partnerships with universities, but also with support services for young entrepreneurs. In this framework, Cooperatives Europe has set up, through the CoopStarter project, a network composed of *CoopMentors*, facilitators, young ambassadors, trainers and representatives of European networks in order to give young people some tools and opportunities to develop their entrepreneurial and cooperative project. This network could be enlarged and developed across the EU.

Cooperatives Europe notes that the cooperative model is attractive for young people who have the opportunity to become familiar with this way of developing innovative entrepreneurial projects with a high social value. Furthermore, projects dedicated to young people in innovative sectors could be implemented, for instance in the cultural and creative sectors, with community cooperatives, cooperatives among young creative professionals. One of the axes of the Action Plan should enable existing initiatives to be mutualised and developed within a fully European framework.

## **§2. On gender and women entrepreneurship**

Gender Equality is a fundamental right and an essential condition for a sustainable development, according to UN SDG's and the European Institutions. Therefore, the Action Plan should also address this topic.

Several issues could be addressed there. Cooperatives Europe and its member organisations are strongly committed and approved a [Charter](#) to promote gender equality within the European Cooperative Movement and wish to work with European Institutions to contribute in closing the gender gap.

Cooperatives Europe would like to focus here on the following points: it is urgent to remove all the barriers which hinder women in terms of access to the labor market and career, in particular absence of work-life balance. It is also strategic to enhance women cooperative entrepreneurship where women join together to develop their business. Actions could be developed to build business plans and design *ad hoc* financial products, promoting incentives, forms of support and mentoring, not limited to the start-up phase, but providing for effective follow-up and support above all the access to capital and credit that makes the path to self-entrepreneurship difficult, aggravated by less experience of women in negotiating financial matters.

It is necessary to face the Digital Division from a gender perspective, which can constitute a barrier for entering the social and informal networks. A real emergency for the digital gap at the time of training, with consequences in the potential for job inclusion, less competitiveness of female businesses, but above all with a digital culture that is shaping our world, not only in terms of instruments, with a prevalent men approach.

### **§3. On international development**

Cooperatives Europe welcomes the inclusion of an international dimension in the Social Economy Action Plan. The Action Plan should recognize the significant contributions of cooperatives in achieving the Sustainable Development Goals (SDGs) and the EU's international development priorities. It needs to ensure that the voices of cooperatives and their networks are included in the implementation of EU external policies such as the Neighbourhood Development and International Cooperation Instrument (NDICI) and in policy dialogues with civil society and private sector including at EU delegation level.<sup>2</sup>

## **III- NECESSARY DIALOGUE WITH THE EUROPEAN INSTITUTIONS**

The effectiveness of the Social Economy Action Plan and more generally the development of a transversal social economy policy will only be effective if it is accompanied by sustainable tools for dialogue between European and national political authorities, as well as between recognised social economy actors; this is why Cooperatives Europe advocates for the maintenance and the strengthening of the Expert group on social economy and social enterprises (GECES). It should enable exchanges with the various representatives of European policies and also act as an observation and monitoring system for the Action Plan.

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*End.*

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<sup>2</sup> Cooperatives Europe sets out more concrete recommendations and feedback for the international dimension of the Action Plan in a separate document.







**POSITION PAPER**

# The international dimension of the Social Economy Action Plan

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Cooperatives can contribute significantly to the EU's main priorities such as the just transition and the COVID-19 recovery. This is also accurate for the specific priorities of EU external action, such as an economy that works for people, closing the digital divide and the externalization of the green deal. On that account, Cooperatives Europe welcomes the commitment that the Social Economy Action Plan will have an international dimension.

Cooperatives bring substantial added value as development actors, because they are centred on self-help, democratic ownership and concern for the community, driven by participatory decision making based on [7 internationally agreed cooperative principles](#). This makes them a durable, inclusive and resilient enterprise model, even during times of crisis. Cooperatives have a proven record of providing stable and decent employment and contribute to the formalization of the informal sector by organizing informal workers into cooperatives, giving them a voice and bargaining power, enabling access to better working conditions and lifting them out of poverty.

They are locally anchored and can therefore advance green and inclusive economic development. Cooperatives are capable of reaching out to the poorest, particularly in rural areas of developing countries which is key in creating an economy that works for people. Furthermore, the cooperative business model plays an important role in the advancement of women's empowerment as spaces where women can engage in decision making and power sharing.

### Support for the social economy in EU partner countries

For cooperatives to achieve their full potential as development actors, EU external action should support them to overcome the challenges, such as lack of visibility and data, access to finance and unsupportive legal frameworks. It is promising that the Action Plan aims to strengthen the social economy in non-EU countries, in particular in enlargement and neighbourhood countries and through EU development cooperation.

To reach this aim, the Social Economy Action plan should have an ambitious international dimension that tackles the discrepancy of policies supporting cooperatives in the EU internal policy and EU external action. A tailored approach is lacking in EU external action, especially when it comes to the diversification of private sector actors in international development, including cooperatives. The EU should acknowledge the impact they have towards domestic resource mobilisation while empowering local communities and vulnerable groups in the long-term.

Therefore, Cooperatives Europe urges that the Social Economy Action Plan proposes following actions:

- Orienting external investment tools such as the EFSD+ to prioritise sustainable development impact aligned with the Paris Agreement over financial leverage or return on investment.

- Articulating criteria to support cooperatives and ensure that Development Finance Institutions (DFIs) are incentivised to ensure proposed investment programmes have cooperatives and other social economy actors as beneficiaries.
- Advocate for adequate legal and regulatory frameworks that allows cooperatives and other social economy actors to flourish.
- Ensuring that DFIs, including the European Investment Bank, replicate the internal market guarantee instruments designed for the social economy, as part of their proposals to use the EFSD+ guarantee instrument.
- Include quantitative and qualitative indicators on support to different social economy actors in the monitoring tools of external action instruments and gather evidence on how the projects funded contribute to achieving the 2030 Agenda and the Paris Agreement, as well as reducing poverty and inequality.

## Promotion of the social economy

We also welcome that the Action Plan will focus on the promotion of the social economy through international fora and networks, and especially its contribution to the Sustainable Development Goals (SDGs). The inclusion of cooperatives in policy dialogue is essential to ensure that the policies EU partner countries develop take into account the specificities of social economy actors. Moreover, putting the social economy on the agenda during high level international meetings is important to increase the visibility of people-centered enterprise models and promote a human-centered economy.

Cooperatives Europe proposes some recommendations to make this aim more concrete in the Action Plan:

- Ensure social economy actors are part of EU Delegations' and Headquarters' policy dialogue with the private sector.
- Engage in the discussion on the UN resolution on the social and solidarity economy, at the initiative of the UN Inter-Agency Task Force on Social and Solidarity Economy, by promoting the acknowledgement of the specificities and potential of the diverse actors in the social economy.
- Provide adequate information and training to EU Delegation staff through technical assistance and cooperation with local cooperative networks.

However, Cooperatives Europe regrets the lack of research and data on the social economy and the international dimension mentioned in the evidence base and data collection section of the Roadmap. Our organization remains supportive in providing more input and information on these topics to ensure that the evidence base of the international dimension for the future Action Plan is strong and accurate.

## More information

The ICA-EU Partnership is a strategic political partnership or Framework Partnership Agreement (FPA) between the European Commission (DG INTPA) and all the International Cooperative Alliance (ICA) regional and global offices. This commitment aims to contribute to strengthening the regional and global cooperative umbrella organizations in partner countries.

The Cooperatives Europe Development Platform (CEDP), a network of 10 national cooperative organizations from Europe, members of Cooperatives Europe, who are experts on issues of development policy and development implementation in EU partner countries.

The general Cooperatives Europe position paper focusing on the internal EU aspects which includes more information on the potential of cooperatives and the challenges they face can be found as an annex to the feedback on the Roadmap.

These recommendations related to how EU external action can better support people-centered enterprise models are supported by the study published within the Mind Our Business report. This report was achieved in collaboration with CONCORD and the Fair Trade Advocacy Office.

