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**NOTE**

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From: General Secretariat of the Council  
To: Delegations  
Subject: Proposal for a COUNCIL RECOMMENDATION on developing social  
economy framework conditions

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Delegations will find attached the Presidency compromise text in view of the Working Party meeting of 26 September.

The Presidency aims for a political agreement already in the Working Party meeting of 26 September.

Delegations are invited to send in their written comments by Friday, 22 September 12:00.

2023/0179 (NLE)

Proposal for a

## **COUNCIL RECOMMENDATION**

### **on developing social economy framework conditions**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 292 in conjunction with Article 149 and Article 153, points (h) and (j) thereof,

Having regard to the proposal from the European Commission,

Having regard to the opinion of the Committee of the Regions<sup>1</sup>,

Whereas:

- (1) The European Pillar of Social Rights<sup>2</sup> proclaimed on 17 November 2017 sets out a number of principles to support fair and well-functioning labour markets and welfare systems. They include Principle 1 on the right to quality and inclusive education, training and lifelong learning, Principle 2 on gender equality, Principle 3 on equal opportunities, Principle 4 on active support to employment, Principle 5 on secure and adaptable employment, and Principles 11 and 16-20 on social protection and inclusion of children, **persons** with disabilities and the homeless, and access to essential services, health care and long-term care.

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<sup>1</sup>. Opinion from the Committee of the Regions on ‘Creating an enabling environment for the social economy – the local and regional perspective’ (CDR 5492/2022).

<sup>2</sup>. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, ‘*The European Pillar of Social Rights Action Plan*’, COM(2021) 102 final.

- (2) In June 2021, the European Council, in line with the Porto Declaration<sup>3</sup>, welcomed the EU headline targets for 2030 of the European Pillar of Social Rights Action Plan<sup>4</sup>. These targets aim to achieve an employment rate of at least 78%, at least 60% of all adults participating in training annually, and at least 15 million fewer people at risk of poverty or social exclusion (of which at least 5 million children). The Member States **have** then set national targets in all three areas to help achieve these shared aims.
- (3) Despite the progress made over the past decade to reduce poverty and social exclusion, 95.4 million people remained at risk in 2021. The poverty risk has increased for people living in (quasi)jobless households, and the depth and duration of poverty has worsened in many Member States. Quality and sustainable employment is key to alleviating this problem. Thanks to the way the social economy works, its actions and the aims it pursues, the social economy has a key role to play in improving social inclusion and equal access to the labour market. It therefore contributes to the successful implementation of the European Pillar of Social Rights.
- (4) Social economy entities can create and retain quality jobs; they contribute to the social and labour-market inclusion of disadvantaged groups and to equal opportunities for all. This is in line with the framework of an inclusive recovery, as highlighted in the Guidelines for the employment policies of the Member States laid down by Council Decision (EU) 2022/2296<sup>5</sup>. They can stimulate sustainable economic and industrial development and promote the active participation of citizens in society. Social economy entities also make a significant contribution to Europe's welfare systems by complementing public services, revitalising Europe's rural and depopulated areas and playing an important role in international development policy.

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<sup>3</sup>. <https://www.consilium.europa.eu/en/press/press-releases/2021/05/08/the-porto-declaration/>.

<sup>4</sup>. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, The European Pillar of Social Rights Action Plan, COM/2021/102 final.

<sup>5</sup>. Council Decision (EU) 2022/2296 of 21 November 2022 on guidelines for the employment policies of the Member States (OJ L 304, 24.11.2022, p. 67–77).

- (5) On 9 December 2021, the European Commission adopted an action plan for the social economy<sup>6</sup>. The action plan contributes to the European Commission's priority of building 'an economy that works for people' and is aligned with the 2015 Council Conclusions on the promotion of the social economy as a key driver of economic and social development in Europe<sup>7</sup>. In the action plan, the Commission put forward concrete measures to be implemented both at Union and national level. The measures aim to boost social innovation, support the development of the social economy and unlock its social and economic transformative power. The measures focus on creating the right conditions for the social economy to thrive, creating opportunities for social economy entities, **which include enterprises and other forms of organisations**, to start up and scale up, and ensuring that the social economy and its potential are more visible. The European Parliament welcomed the action plan in its resolution issued on 6 July 2022<sup>8</sup>.
- (5a) **On 18 April 2023, the United Nations adopted a resolution on promoting the social and solidarity economy for sustainable development, providing a global definition of the social and solidarity economy and a roadmap to support the development of the social and solidarity economy at global level. Other international organisations have also adopted strategies for the development of the social economy, such as the Resolution concerning decent work and the social and solidarity economy adopted at the 110th International Labour Conference of the International Labour Organisation on 10 June 2022; and the OECD Recommendation on the social and solidarity economy and social innovation, also adopted on 10 June 2022.**

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<sup>6</sup>. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, '*Building an economy that works for people: an action plan for the social economy*', COM(2021) 778 final.

<sup>7</sup>. Council Conclusions on the promotion of the social economy as a key driver of economic and social development (15071/15).

<sup>8</sup>. European Parliament resolution of 6 July 2022 on the EU action plan for the social economy (2021/2179(INI)).

- (6) The social economy, also referred to in some Member States as the solidarity economy and/or social and solidarity economy, encompasses a diverse range of entities with different business and organisational models that prioritise **societal purpose, including social and environmental goals**, over profit. **Social economy entities and their definition can vary slightly between the Member States, and** can take various legal forms **and statuses**, such as cooperatives, mutual [...] societies, associations, foundations **and** [...] social enterprises [...]. They share the common principles of reinvesting **all or** most of their profits to pursue their social and/or environmental purposes and practicing democratic and/or participatory governance. The specific form of governance and management adopted by social economy entities varies according to their nature, scale, and context of operation. The principle of democratic or participatory governance thus takes different forms, ranging from the direct engagement of members in the governance processes to the representative involvement of members or partners in separate governance and management functions. For example, in cooperatives, mutual [...] societies, and associations, this principle often takes the form of "one person, one vote". The decision-making processes in social economy entities is characterised by a set of control systems and relationships between the different agents participating in the entity, including managers, partners, employees and beneficiaries. By bringing together these different agents, social economy entities promote a multi-stakeholder effort centred around a culture of participation, accountability, and transparency and aimed at achieving a common goal.
- (7) Social economy entities often strive to create economic opportunities that promote social inclusion and the integration of disadvantaged groups, including **persons** with disabilities and **persons** with mental health issues, into the labour market. Work integration social enterprises are a type of social enterprise that focus on helping these groups of people integrate in society and in work by providing jobs at various skills levels with inclusive and flexible working conditions. For example, providing linguistic support to migrant workers and adapted tasks and working environments for **persons** with disabilities can offer them a route out of poverty and social exclusion. These job opportunities can serve as stepping stones to other sectors of the labour market, helping to overcome barriers to employment for the long-term unemployed and other people experiencing difficulties in accessing the job market.

- (8) New **enterprises in the social economy** can be a powerful vehicle for job creation and positive social change. Social economy can provide opportunities for some underrepresented groups, such as women and young people to enter the labour market or set up social businesses. According to the Global Entrepreneurship Monitor, an estimated 55% of the world's social entrepreneurs are men and 45% are women, while in general self-employment women are outnumbered by two-to-one by men. According to a recent Eurobarometer on young people's attitudes to social entrepreneurship, young people value the importance of social and environmental goals and participatory leadership. Member States could consider ways to minimise disincentives for potential entrepreneurs, such as ensuring they maintain access to proper social safety protection. Some Member States have reduced social security contributions as an incentive for social economy entities to hire staff. Ensuring there is an enabling framework for business transfers to employees to form worker cooperatives, **or other relevant worker-owned social economy models**, can also be a way to ensure continuation of small and family businesses and to avoid job losses, for instance in case of restructuring. **Member States may also implement facilitating measures for mainstream businesses to transition to social economy entities.**
- (9) Social economy entities also promote the inclusion of young people, particularly young people not in employment, education or training. They provide training and skills development programmes and apprenticeships referred to in the Council Recommendation of 15 March 2018 on a European Framework for Quality and Effective Apprenticeships<sup>9</sup>, and employment opportunities. They therefore contribute to the goals set by the Youth Guarantee referred to in Council Recommendation of 30 October 2020 on A Bridge to Jobs – Reinforcing the Youth Guarantee<sup>10</sup> and the Council Recommendation of 16 June 2022 on a European approach to micro-credentials for lifelong learning and employability<sup>11</sup>. Union funding such as the European Social Fund Plus programme established by Regulation (EU) 2021/1057<sup>12</sup> can support social economy entities in this role. To this end, successful collaborative initiatives between public employment services and social economy entities have taken place in Member States<sup>13</sup>. Under these initiatives, social economy entities play an important role in identifying people in need of assistance and in developing tailored plans to help them achieve social and occupational integration, including training and work opportunities.

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<sup>9</sup>. Council Recommendation of 15 March 2018 on a European Framework for Quality and Effective Apprenticeships (OJ C 153, 2.5.2018, p. 1–6).

<sup>10</sup>. Council Recommendation of 30 October 2020 on A Bridge to Jobs – Reinforcing the Youth Guarantee and replacing the Council Recommendation of 22 April 2013 on establishing a Youth Guarantee (OJ C 372, 4.11.2020, p. 1–9).

<sup>11</sup>. Council Recommendation of 16 June 2022 on a European approach to micro-credentials for lifelong learning and employability (OJ C 243, 27.6.2022, p. 10–25).

<sup>12</sup>. Regulation (EU) 2021/1057 of the European Parliament and of the Council of 24 June 2021 establishing the European Social Fund Plus (ESF+) and repealing Regulation (EU) No 1296/2013 (OJ L 231, 30.6.2021, p. 21–59).

<sup>13</sup>. One example is the Belgian support provided to '*collectief maatwerk*', which includes financial support to work-integration social enterprises.

- (10) Social economy entities can promote fair working conditions by involving employees in their governance and decision-making. Promoting social dialogue and collective bargaining in the social economy, can improve the working conditions of employees. Member States can foster and build on this aspect of the social economy and make use of its know-how by involving social economy entities in the design and implementation of active labour market policies<sup>14</sup>. **Member States can also explore possibilities to facilitate the participation of social economy employers in social dialogue.**
- (11) The social economy contributes to the Union of Equality by promoting the social inclusion of disadvantaged and underrepresented groups, **for example** through the provision of social and care services (including childcare, health care and long-term care), social housing and support for children and young people with special needs. They help reduce inequalities, such as the gender employment gap, both by directly employing a large proportion of women and by providing care services that enable caregivers, the majority of whom are women, to join the labour market. As an important partner for the public sector, the social economy can make a valuable contribution to the design and delivery of residential, home and community-based care services. Through partnership initiatives, public authorities and social economy entities can provide high-quality, accessible and affordable care services.

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<sup>14</sup>. One example is the French initiative, *Territoires Zéro Chômeurs de Longue Durée*, which aims to combat long-term unemployment by setting up non-profit organisations in areas with high long-term unemployment rates to employ local residents on permanent contracts to carry out useful activities for the community, such as recycling, childcare and community gardening. Similar initiatives have been introduced in Groeningen in the Netherlands and Mariental in Austria.

- (12) Vocational education and training systems play a crucial role in equipping people with the skills needed for the workplace, for personal development and for citizenship. They also help ensure a skilled workforce that can contribute towards a fair twin green and digital transition. Social economy entities provide job opportunities, on-the-job training, and work-based learning programmes tailored to the needs of individuals and the local economy. They have the potential to help roll out individual learning accounts **as a possible means to achieve the objectives set out** in Council Recommendation of 16 June 2022 on Individual Learning Accounts<sup>15</sup>. **Social economy entities can also contribute to closing the current digital gender gap by providing targeted support that strengthens the digital skills of women.** Therefore, they can contribute to achieving a skilled and adaptable workforce able to respond to changes in the labour market, potentially easing job-to-job transition and alleviating labour shortages, therefore contributing to overall economic growth. The Member States can tap this potential when building skills intelligence, facilitating training, and designing education curricula.
- (13) The challenges posed by the twin transition and demographic change need to be tackled at regional and local levels to achieve economic, social and territorial cohesion. Social economy entities generally operate in a bottom-up way, close to communities, citizens, and the problems they face, often acting as social innovators and finding solutions that can be scaled up **or** replicated and that contribute to systemic [...] change. **The social economy can also contribute to Europe's strategic autonomy by creating business in strategic sectors that serve the interests and needs of the local communities.** For example, the social economy could offer upskilling opportunities to low-skilled workers from sectors that are undergoing major changes and provide affordable basic goods to low-income groups. In remote and rural areas with fewer employment and educational offers, social economy entities can provide much-needed opportunities, rendering these regions more attractive. Developing the EU's social economy ecosystems therefore contributes to alleviating the consequences of **population** ageing, depopulation, and other demographic trends, and to promoting local economic and industrial development, **including in** rural and remote areas and in the EU's outermost regions, such as in agriculture, organic food production, and in the blue economy.

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<sup>15</sup>. Council Recommendation of 16 June 2022 on individual learning accounts 2022/C 243/03 (OJ C 243, 27.6.2022, p. 26–34).

- (14) Promoting community-led local development and favourable ecosystems for social innovation reinforces the social economy and drives change to a climate-neutral economy in line with the European Green Deal<sup>16</sup> and the Green Deal industrial plan<sup>17</sup>. Given the important role of the social economy in the development of the circular economy, **as well as in citizen-led production and distribution of renewable energy, through renewable energy cooperatives and other energy communities**, designing cross-cutting and coherent industrial policy measures on reuse, repair, and recycling could promote a functioning market for secondary raw materials, optimising the social economy's contribution to the objectives set by the circular economy action plan<sup>18</sup>, and boost the competitiveness of Europe's net-zero industry. Social economy entities operating in the digital field have demonstrated the potential to empower citizens and businesses to participate in an inclusive and human-centred digital transition and play an active role in reaching the objectives and targets of the Digital Decade 2030 policy programme established by Decision (EU) 2022/2481<sup>19</sup> and the European Declaration on Digital Rights and Principles for the Digital Decade<sup>20</sup>. To boost the resilience of this twin transition to a green and digital society, the Commission updated its Union industrial strategy in May 2021. The strategy sets out the challenges faced by the 14 industrial ecosystems, including the 'proximity and social economy' ecosystem, **for which a transition pathway has been co-constructed**.

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<sup>16</sup>. Communication from the Commission to the European Parliament, The European Council, The Council, The European Economic and Social Committee and The Committee of the Regions, 'The European Green Deal', COM(2019) 640 final.

<sup>17</sup>. Communication from the Commission to the European Parliament, The European Council, The Council, The European Economic and Social Committee and The Committee of the Regions, '*A Green Deal Industrial Plan for the Net-Zero Age*', COM(2023) 62 final.

<sup>18</sup>. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 'A new Circular Economy Action Plan For a cleaner and more competitive Europe', COM(2020) 98 final.

<sup>19</sup>. Decision (EU) 2022/2481 of the European Parliament and of the Council of 14 December 2022 establishing the Digital Decade Policy Programme 2030 (OJ L 323, 19.12.2022, p. 4–26).

<sup>20</sup>. European Declaration on Digital Rights and Principles for the Digital Decade, COM(2022) 28 final.

- (14a) **Social economy entities are a driver of social innovation. Social innovation encompasses activities that are social both as to their ends and their means and, in particular, activities which relate to the development and implementation of new ideas concerning products, services, practices and models, that simultaneously meet social needs and create new social relationships or collaborations between public, civil society or private organisations, thereby benefiting society and boosting its capacity to act<sup>21</sup>.**
- (15) To enable the social economy to fulfil its potential in supporting labour market access, social inclusion, skills development, territorial cohesion and sustainable economic development, it needs an enabling framework. Since the social economy **may be present in all economic sectors and** is influenced by horizontal and sectoral policies and provisions, an enabling framework needs to factor in the specific features of the social economy and the additional barriers that social economy entities face in their development that limit their scope to operate alongside mainstream businesses. Social economy entities do not seek **primarily** to maximise efficiency gains and profits but to create positive societal outcomes. They need support measures and favourable financial, administrative and legal environments that take account of the specific features of their business models in terms of governance, profit allocation, working conditions and impact. These measures enable them to, for example, employ workers that are less productive or provide social services at accessible prices. Comprehensive strategies are needed to set enabling frameworks. This may involve adopting regulatory measures or implementing or adjusting policies and initiatives to support the social economy's contributions to social and environmental goals and enhance their economic and industrial value. These strategies should track progress and measure the effectiveness of initiatives, make adjustments and improvements as needed, and ultimately result in more efficient and impactful outcomes from the sector. Strategies may need to be adopted at different levels of government (national, regional and local) depending on the institutional organisation and context in each Member State. Regions, **cities** and other subnational levels could adopt social economy strategies that are clearly linked to regional development objectives and priorities, maximising the mutual benefits.

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<sup>21</sup> As defined in Regulation (EU) 2021/1057 of the European Parliament and of the Council of 24 June 2021 establishing the European Social Fund Plus (ESF+) and repealing Regulation (EU) No 1296/2013.

- (16) It is essential to involve social economy stakeholders for the successful development and implementation of social economy strategies. Several Member States have already set up high-level groups that foster dialogue between public authorities and social economy entities<sup>22</sup>. Social economy representative networks can also be a platform for collective action, they can facilitate collaboration and information sharing, and create opportunities for capacity building and peer learning.
- (17) Public financial support **can play** an important role in enabling the start-up and development of social economy entities. In general, social economy entities have greater difficulties in accessing financial resources than other enterprises. For instance, despite some improvements, an analysis of social enterprise finance markets has revealed a persistent mismatch between supply and demand for finance for social enterprises in Europe, in terms of access to debt and equity. Since social economy entities aim to generate positive social and/or environmental impacts and can only distribute profits to their funders and owners to a limited extent, if at all, they are generally not well suited for investors that seek significant financial returns. The support measures available to tackle this issue tend to be patchy and differ considerably in their effectiveness. Measures vary from grants and subsidies to consultancy and capacity-building services and are often provided by incubators. There is therefore still ample room for improvement in providing tailored funding for different stages of the life cycle of a social economy entity, and further support to mobilise private funding and other complementary measures to improve access to funding for social economy entities could be helpful. One such approach involves providing the choice for individual savers or employees who participate in employer-funded retirement or savings plans with the option to select a savings plan that invests a portion of their savings into a social enterprise<sup>23</sup>.

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<sup>22</sup>. For instance, the French High Council of Social and Solidarity Economy, the Spanish Council for the Development of the Social Economy, and the Portuguese National Council for Social Economy and the Italian National Council of the Third Sector.

<sup>23</sup>. For example « Les Fonds Communs de Placement d'Entreprise solidaires » in France.

- (18) The Union provides many funding opportunities to support the social economy. The European Social Fund Plus, the European Regional Development Fund established by Regulation (EU) 2021/1058<sup>24</sup>, the Just Transition Fund established by Regulation (EU) 2021/1056<sup>25</sup>, the European Agricultural Fund for Rural Development established by Regulation (EU) No 1305/2013<sup>26</sup>, the single market programme established by Regulation (EU) 2021/690<sup>27</sup>, the InvestEU programme established by Regulation (EU) 2021/523<sup>28</sup>, and, where relevant, the Recovery and Resilience Facility established by Regulation (EU) 2021/241<sup>29</sup>, all provide funding. The Union also provides advisory support through the fi-compass platform to design financial instruments under Cohesion Policy Funds. Member States, including regional and local authorities, could make better use of these opportunities by adopting specific measures for the social economy. Technical support<sup>30</sup> is another Union instrument available to improve the capacity of Member States to design and implement policies to strengthen the social economy.

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<sup>24</sup>. Regulation (EU) 2021/1058 of the European Parliament and of the Council of 24 June 2021 on the European Regional Development Fund and on the Cohesion Fund (OJ L 231, 30.6.2021, p. 60–93).

<sup>25</sup>. Regulation (EU) 2021/1056 of the European Parliament and of the Council of 24 June 2021 establishing the Just Transition Fund (OJ L 231, 30.6.2021, p. 1–20).

<sup>26</sup>. Regulation (EU) No 1305/2013 of the European Parliament and of the Council of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005 (OJ L 347, 20.12.2013, p. 487–548).

<sup>27</sup>. Regulation (EU) 2021/690 of the European Parliament and of the Council of 28 April 2021 establishing a programme for the internal market, competitiveness of enterprises, including small and medium-sized enterprises, the area of plants, animals, food and feed, and European statistics (Single Market Programme) and repealing Regulations (EU) No 99/2013, (EU) No 1287/2013, (EU) No 254/2014 and (EU) No 652/2014 (OJ L 153, 3.5.2021, p. 1–47).

<sup>28</sup>. Regulation (EU) 2021/523 of the European Parliament and of the Council of 24 March 2021 establishing the InvestEU Programme and amending Regulation (EU) 2015/1017 (OJ L 107, 26.3.2021, p. 30–89).

<sup>29</sup>. Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17–75).

<sup>30</sup>. Regulation (EU) 2021/240 of the European Parliament and of the Council of 10 February 2021, establishing a Technical Support Instrument (OJ L 57, 18.2.2021, p. 1–16).

- (19) Providing goods and services and working with both public authorities and mainstream businesses is critical for the development of the social economy, for generating revenue and to help social economy entities become financially self-sufficient. Thanks to the scope for flexibility under the Union public procurement rules, contracting authorities can use public procurement in a more strategic manner by setting innovative, green and social criteria, ultimately contributing to a more sustainable, inclusive and competitive economy. However, most tenders are still awarded solely on the basis of price. Since social economy entities aim to provide societal and collective benefits rather than to provide services at the lowest price, they struggle to compete in regular public procurement processes, despite the fact that they can provide broader added value to the procurement process. There is also room to increase the capacity of social economy entities to do business, including through a more systematic integration into mainstream business value chains and partnering with them to bid jointly for public procurement and create new market opportunities.
- (20) Public authorities often do not make the most of the current scope under State aid rules to support the social economy, where the market alone is unable to achieve satisfactory access to the labour market and social inclusion, limiting themselves to measures under the general *de minimis* threshold and not using the option to establish measures under Commission Regulation (EU) No 651/2014<sup>31</sup> (the General Block Exemption Regulation) such as regional aid, risk-finance aid, and aid to recruit disadvantaged workers. With regards to *de minimis* aid, it is currently limited to EUR 200,000 over three years, but the current rules will expire on 31 December 2023 and are in the process of being revised. Union rules governing services of general economic interest also offer scope to authorise State aid, but public authorities often do not make full use of these options, particularly for social services in the field of work integration of vulnerable persons.

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<sup>31</sup>. Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (OJ L 187, 26.6.2014, p. 1–78).

- (21) Taxation policy can also have a significant role in fostering the social economy and ensuring that social economy entities can afford to operate alongside mainstream businesses, creating a more equitable business environment while contributing to social inclusion and improved access to employment. **Some** Member States have established a [...] taxation framework that encourages the development of the sector, including tax incentives tailored to the needs of the social economy, while recognising its diversity and preventing fragmentation. Setting well-designed tax incentives for donations to public-benefit social economy entities can stimulate their financing, also across Union borders in line with the Treaty principle of non-discrimination. Administrative barriers remain in several Member States regarding public-benefit donations across Member States borders, **for example the lack of translations of national forms, the lack of standardised forms on direct tax for cross-border donations, and the lack of transparency on the documents needed to qualify for public-benefit status [...].**
- (22) Social impact measurement and management processes are particularly important for social economy entities as they enable them to understand and communicate their impact and access impact-driven funding. Social impact measurement involves using metrics and tools to gauge the social impact of a particular intervention or initiative. Social impact management involves building the systems, processes and capabilities that an organisation needs to proactively manage and increase its impact. But the wide range of frameworks and tools available can be a challenge, particularly for entities with fewer resources. Monitoring the social outcomes of public investments enables public scrutiny, can support the rationale for using taxpayer money to support social economy entities or activities, and can help to prevent ‘impact washing’ (overstating or falsely claiming impact). Social impact measurement and management approaches that are well-considered, proportionate and adapted to the needs of individual entities could be helpful in this regard. They should be based on standard methods and indicators, as well as on factors such as size, stage of development, and diversity of entities. **Linking social impact measurement and management methodologies to the United Nations Sustainable Development Goals can provide a helpful framework for demonstrating impact.**

- (23) The visibility and recognition of the social economy at national and regional levels in the Union has improved over the last decade. However, the potential of the sector in many Union countries remains untapped. A lack of coordination and exchange across countries perpetuates the differences in the development of the social economy, therefore there is a clear opportunity for Member States to gain by learning and sharing best practices. There is also limited awareness among the general public about the social economy and the positive contributions it makes. This can hinder the development of support policies and market opportunities for the social economy. Regulating while ensuring new legislation meets the needs of social economy entities can raise awareness and give them greater legitimacy, facilitating access to finance and markets. National public authorities and stakeholders have launched several initiatives, such as specific legal forms, labels and statuses<sup>32</sup> for the social economy, and large-scale communication campaigns, to increase understanding and visibility of the social economy. Other successful reforms include the creation of specific ministerial units for the social economy and enhanced dialogue between stakeholders and public authorities. Boosting the visibility of the social economy is crucial to fully recognise its positive impact on society, as emphasised in the social economy action plan with the launch of a social economy gateway.
- (24) Having accurate data and statistics is key to improving understanding of social economy business models and making evidence-based policy decisions. However, there is a shortage of reliable data on the social economy, including data on its economic added value and performance. Existing data is often incomplete and difficult to compare. For instance, only a few Member States have expanded their national accounting systems to collect supplementary data (such as in satellite accounts) on the social economy, despite financial support available under the Union budget. The social economy is usually not included in structural business statistics, for instance when the statistics are built on economic data generated by for-profit businesses and traditional social economy entities are only included in residual categories. By making available essential statistics on the size, workforce, development and challenges of the social economy, the strategies and measures put in place would be more efficient and adjusted to the different situations in the sector.
- (25) More broadly, promoting the social economy can also contribute to the achievement of the Sustainable Development Goals.**

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<sup>32</sup>. Legal statuses/qualifications, sometimes also referred to as labels, are distinct from legal forms as they can be adopted by a variety of legal forms, including profit and non-profit organisations.

HAS ADOPTED THIS RECOMMENDATION:

## OBJECTIVE

1. In line with the principles of the European Pillar of Social Rights, the aim of this Recommendation is to foster access to the labour market and social inclusion by guiding Member States on promoting enabling policy and regulatory frameworks for the social economy **and** measures that facilitate its development.

To achieve these objectives, Member States, **in line with national competences and considering national circumstances**, are recommended to work together with stakeholders to acknowledge, support and build on the contributions made by the social economy.

2. **By promoting the social economy**, this Recommendation **supports** the implementation of the European Pillar of Social Rights [...] and **helps to** achieve the three Union headline targets for employment, skills, and poverty reduction by 2030 **in line with the European Pillar of Social Rights Action Plan**.
3. **Promoting** the social economy, [...] **can also** stimulate fair and sustainable socio-economic and industrial development. **It can** contribute to **the European Green Deal, to economic democracy, citizens' active participation and to improve social and territorial cohesion** across the Member States.

## DEFINITION

4. For the purpose of this Recommendation, the following definitions apply, **while taking into account the existing legal frameworks of Member States:**
- (a) ‘social economy’ means **a universe of autonomous** private entities, [...] providing goods and services to their members or to society, encompassing **organisational forms such as** cooperatives, mutual [...] societies, associations (including charities), foundations **or** social enterprises, that operate in accordance with the following key principles and features:
- the primacy of people as well as social and/or environmental purpose over profit;
  - the reinvestment of **all or** most of the profits and surpluses to further pursue their social and/or environmental purposes and carry out activities in the interest of members/users (‘collective interest’) and/or society at large (‘general interest’); and
  - democratic and/or participatory governance.
- (b) ‘social enterprise’ means an **autonomous private** entity that provides goods and services for the market in an entrepreneurial way and in accordance with the principles and features of the social economy, having social **or** environmental objectives as the reason for its commercial activity. **Social enterprises can be set up in a variety of legal forms-**

## FOSTERING ACCESS TO THE LABOUR MARKET AND SOCIAL INCLUSION THROUGH THE SOCIAL ECONOMY

### Access to the labour market

5. Member States are recommended to acknowledge and support the specific added value of the social economy by easing access to the labour market and promoting quality jobs for all, while also enhancing fair working conditions, **safety and health at work, equality and non-discrimination**. This should be done within the framework of inclusive growth, as highlighted in the **2022** Guidelines for the employment policies of the Member States, in particular by:
- (a) establishing or encouraging partnership initiatives that involve social economy entities in the design and implementation of active labour market policies;
  - (b) ensuring **that** public authorities provide **adequate** support to social economy entities with a view to better integrating into the labour market women, disadvantaged, and **other** underrepresented groups (such as the long-term unemployed, people suffering from mental ill-health, the inactive, the low-skilled, **persons** with disabilities, **persons** with a migrant, minority racial or ethnic background (including Roma), young and older **workers**) through:
    - i. work integration social enterprises that provide employment and tailored support to such groups;
    - ii. action to help these groups of people prepare for employment through working experience in social enterprises for their integration in the open labour market.

- (c) supporting collaborative projects between public employment services, local authorities, social economy entities and mainstream businesses to offer tailored career guidance and learning and training opportunities to young people not in education, employment, or training (NEETs). These opportunities can include apprenticeships, professional immersion programmes, personal coaching and meetings with role models, and aim to facilitate integration in the labour market, in line with the Reinforced Youth Guarantee;
- (d) promoting [...] entrepreneurship **in the social economy, including start-ups**, as a means to foster self-employment and other forms of employment, develop economic activity locally and tackle **societal** challenges through innovative and inclusive business models; whereas to achieve this, Member States can, for instance:
- i. ensure that [...] entrepreneurs **in the social economy** have access to social protection;
  - ii. consider [...] **introducing incentives for hiring new employees or for incorporating worker members**;
  - iii. identify, assess and address potential administrative disadvantages or barriers to starting a social business;
  - iv. **promote the startup culture, skills development for startups, and the establishment of startup-friendly framework conditions, as well as the inclusion of social economy models as a relevant tool in startup policies.**

- (e) designing policies and adopting measures that promote and mainstream gender equality in the social economy, for example by:
- i. challenging discriminatory social norms and stereotypes about women's and men's skills, and the undervaluation of women's work,;
  - ii. providing tailored support to empower women by reducing gender gaps in employment [...], **by ensuring equal leadership, as well as equal pay for equal work;**
  - iii. providing access to coaching and mentoring programmes for women **aiming** to be [...] entrepreneurs and leaders **in the social economy.**
- (f) ensuring an enabling framework for business transfers to employees to form worker cooperatives **and other relevant social economy legal forms**, to avoid job losses and safeguard economic activity. **Such a framework should include accompanying mechanisms to provide information about the likely costs and benefits of business transfers to employees;**
- (g) collaborating with social economy entities to enable more **persons** with disabilities to join the labour market, for example by developing assistive technologies;
- (h) promoting social dialogue and collective bargaining in the social economy to ensure that workers have fair working conditions, including fair wages, respecting the autonomy of social partners.
- (i) **acknowledging the specific democratic practices that are developed within social economy entities.**

## Social inclusion

6. **Taking into consideration the different national contexts**, Member States are recommended to acknowledge and support the role of the social economy in providing accessible and high-quality social and care services and housing, **also taking into consideration** disadvantaged groups, **in close cooperation with** publicly available social services. For example, this could include:
- (a) collaborating with social economy entities within their respective areas of action when establishing and providing services of general interest;
  - (b) involving social economy entities in the design and delivery of people-centred social and care services, **including for the elderly**, as emphasised by the European care strategy;
  - (c) working together with social economy entities to design and deliver care and support for children and young people, including children from disadvantaged groups, in line with the European Child Guarantee established by Council Recommendation (EU) 2021/1004<sup>33</sup> and the Union strategy on the rights of the child<sup>34</sup>.

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<sup>33</sup>. Council Recommendation (EU) 2021/1004 of 14 June 2021 establishing a European Child Guarantee (OJ L 223/14 22.6.2021).

<sup>34</sup>. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 'EU Strategy on the rights of the child', COM(2021) 142 final.

## Skills

7. Member States are recommended to support training and skills development for the social economy, in particular by:
- (a) drawing on existing skills intelligence tracking the needs of the economy and the mainstream labour market to understand how the social economy can contribute to the supply of a skilled labour force and mitigate labour shortages;
  - (b) facilitating **education**, training and skills in the social economy by:
    - i. running learning exchanges between social economy entities, training organisations and mainstream companies, with the aim of improving management, entrepreneurial, and job-related skills needed for the digital and green transitions (including circular, repair, and digital skills);
    - ii. reskilling and upskilling lifelong learners, including **women and** disadvantaged groups of people, and helping them transition to the open labour market, in line with the European approach to micro-credentials for lifelong learning and employability **and other measures in line with national specificities**;
    - iii. including training on or provided by the social economy in the list of training eligible to be covered by the individual learning accounts<sup>35</sup> **and other existing initiatives at national level**;
    - iv. **encouraging training opportunities for workers to potentially pursue a career in the social economy, for instance, via tailored advisory and training programmes based on the principles of education for sustainable development.**

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<sup>35</sup>. Council Recommendation of 16 June 2022 on individual learning accounts 2022/C 243/03 (OJ C 243, 27.6.2022, p. 26–34).

- (c) creating specific apprenticeship schemes in social economy that support young people, particularly people not in employment, education or training, to upskill and prepare them for the labour market and enable the social economy to develop talent in the sector, in line with the European Framework for Quality and Effective Apprenticeships;
- (d) fostering the inclusion of social economy and social entrepreneurship skills in education and training at all levels of education, especially in entrepreneurship and business courses, **such as promoting student cooperatives as a learning opportunity, as well as** providing access to coaching and mentoring programmes for social economy entities and social entrepreneurs;
- (e) creating national competence centres for training on the social economy and taking part in transnational initiatives that facilitate access to specialist education and training programmes for the social economy, for example through cooperation with vocational education and training providers working within the framework of established bodies, such as the Centres of Vocational Excellence referred to in Council Recommendation of 24 November 2020 on vocational education and training for sustainable competitiveness, social fairness and resilience<sup>36</sup>.

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<sup>36</sup>. Council Recommendation of 24 November 2020 on vocational education and training (VET) for sustainable competitiveness, social fairness and resilience 2020/C 417/01 (OJ C 417, 2.12.2020, p. 1-16).

## Social innovation and sustainable economic development [...]

8. Member States are recommended to strengthen the support role played by social economy entities in promoting social innovation and key sectors of local development and employment. This can be achieved by:
- (a) promoting a favourable ecosystem for social and place-based innovation by facilitating cooperation and partnership initiatives between social and circular economy entities, mainstream businesses, finance providers, local governments and other stakeholders. For instance, this can be done by:
    - i. creating or fostering social innovation hubs or clusters of social and ecological innovation designed to meet local needs and test joint solutions;
    - ii. involving social economy entities in community-led local development, including by making use of the Union funding instruments available;
    - iii. engaging with national and regional competence centres for social innovation to build networks, boost capacities and synergies, highlight efficiencies and develop essential tools and methods to stimulate social innovation.
  - (b) ensuring that policy on the social economy is linked to industrial policy and **to the transition to a digital and circular economy, for example by networking technological and social innovation centres**;
  - (c) adapting regulatory frameworks to support social economy entities in the circular economy, for instance ensuring that the right incentives are in place for businesses to donate unsold and returned goods to social economy entities for repair and reuse instead of destroying the goods and for individuals to donate second-hand goods, ensuring social economy entities have access to the waste stream, involving them in waste prevention strategies, and authorising **or encouraging** food banks to collect food surpluses;

- (d) fostering **local development and territorial cohesion through** social economy community-based initiatives and ecosystems, for example, energy communities, shared mobility solutions, digital platform cooperatives, care provision, **affordable and community housing**, agriculture cooperatives and local short food chains and markets, for citizens to access local-based products and services;
- (e) boosting the access of social economy entities to digital tools and new technologies such as open source, **blockchain and distributed ledger technology**, big data or artificial intelligence **and encouraging public authorities to support the development of open-source software in cooperation with social economy and other relevant stakeholders**;
- (f) **promoting the inclusion of social economy entities in local and regional development through their integration into the existing business and innovation support ecosystems.**

## DEVELOPING ENABLING FRAMEWORKS FOR THE SOCIAL ECONOMY

9. Member States are recommended to develop policy and regulatory frameworks that enable and support the social economy. To this end, they are encouraged to design and roll out comprehensive strategies that recognise and stimulate the social economy, **or adapt existing strategies**, in line with **this Recommendation**, the Union action plan for the social economy and other Union policy guidance. [...]
10. Member States are recommended to put in place mechanisms for consultation and dialogue between the public authorities and organisations representing the social economy. This can involve setting up high-level groups and supporting the emergence and development of social economy representative networks.
11. In the strategies referred to in point 9, Member States should acknowledge the core principles, features, and scope of the social economy, and recognise that they can take a range of different legal forms and statuses and are specific to different national, regional and local laws and practices. **In this context Member States are recommended to strengthen the cooperation with local and regional authorities in the development of social economy.**

12. Member States are recommended to invest in the development of their public officials' and authorities' understanding of the social economy through training programmes and transnational and/or interregional capacity-building initiatives, including initiatives under the Interreg Europe programme set out by Regulation (EU) 2021/1059 of the European Parliament and of the Council<sup>37</sup>. The initiatives should focus on peer learning and on sharing best practices, with a particular emphasis on fostering collaboration between regional and local authorities, as well as social economy stakeholders. The Commission will support this work as described under point 22(a)iii.
- 12a. (new article) Member States are recommended to reinforce the place of social economy in their international cooperation and development policies, and to strengthen their support to social economy entities in developing countries.**

### **Access to public and private funding**

13. Member States are recommended to create an enabling environment for social finance at national, regional and local levels, in particular by:
- (a) mapping the financing structures for social economy entities, financial intermediaries and support organisations, and assessing their needs and the effectiveness of existing support schemes;
  - (b) **facilitating the access of** social economy entities [...] to financing at the right stage of their development and tailored to their needs, including grants and other subsidies, equity or quasi-equity financing for the seed and start-up phases, or debt, equity financing, quasi-equity, or mezzanine finance during the scale-up phase, and innovative financing schemes, such as public-private partnerships, crowdfunding platforms, and combinations of different types of financial instruments or grants and financial instruments;

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<sup>37</sup>. Regulation (EU) 2021/1059 of the European Parliament and of the Council of 24 June 2021 on specific provisions for the European territorial cooperation goal (Interreg) supported by the European Regional Development Fund and external financing instruments (OJ L 231, 30.6.2021, p. 94–158).

- (c) promoting retail investors' access to sustainable business models, sectors, products and services driven or supported by the social economy;
- (d) evaluating the criteria to access public funding programmes, including those aimed at mainstream businesses, to **avoid** undue barriers for social economy entities;
- (e) mobilising private financing by making available public guarantee schemes, **in conformity with State aid rules**, where necessary, to encourage specialised and mainstream funders to finance social economy entities;
- (f) raising awareness about the specific characteristics and needs of social economy entities to improve the capacity of mainstream private funders to offer tailored financial support;
- (g) facilitating access to business development and investment readiness support for social economy entities throughout their lifecycle, for example through awareness raising support schemes for mainstream business incubators, accelerators, and other support organisations to extend their support to social economy entities, including capacity building opportunities for managers of social economy entities;
- (h) offering dedicated financial support and capacity building to facilitate business transfers to **workers through cooperatives and other relevant social economy forms, while providing workers with accompanying services and information about its potential costs and benefits;**

- (i) offering schemes that increase the availability of finance for social economy entities, for instance providing the choice to individual savers, or employees who participate in employer-funded retirement or savings plans, with the option to select a plan that invests a portion into a social enterprise;
- (j) making the best use of the funding available under the Cohesion Policy Funds, **including the European Social Fund Plus (ESF+), as well as under** the InvestEU [...] Member State compartment, the Recovery and Resilience Facility [...] and other **international**, national and regional resources, by running measures and initiatives designed specifically for social economy entities;
- (k) using the fi-compass advisory services on financial instruments under Union shared management to develop repayable finance instruments under the Cohesion Policy Funds.

## Access to markets and public procurement

14. Member States are recommended to encourage their contracting authorities to purchase goods and services strategically, [...] to **support social [...] objectives and [...] social innovation, as well as to pursue environmental impact**. To that end, they are **encouraged to** make full use of the tools available under Union public procurement rules, **including those for the organisation of certain services, known as services to the person, through a specific regime, inspired by the principle of solidarity**. Fostering the uptake of socially responsible and innovative solutions in public procurement may involve different types of policy tools, including:
- (a) adopting policy guidance and procurement strategies, including possible official targets, backed by the leadership and with a commitment from the political level through to key decision-makers and budget managers;
  - (b) providing guidance at the appropriate administrative level(s);
  - (c) raising awareness of the added value of socially responsible public procurement among contracting authorities and enterprises and making expertise available to contracting authorities and social economy entities;
  - (d) encouraging contracting authorities to refer in tender documents to specific obligations under social and labour law and collective agreements, **as well as social and environmental criteria**, that apply to the procurement<sup>38</sup>, ask bidders to confirm compliance, and set up monitoring measures;
  - (e) encouraging a structured, transparent and non-discriminatory dialogue with the social economy and other stakeholders to design a socially responsible public procurement strategy.

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<sup>38</sup>. Article 30(3) of Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concession contracts (OJ L 094 28.3.2014, p. 1), Article 18(2) of Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC (OJ L 094 28.3.2014, p. 65) and Article 36(2) of Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC (OJ L 094 28.3.2014, p. 243).

15. On substance, contracting authorities should make better use of the flexible provisions under the existing legal framework of the Union to help social economy entities access the market by, for example:
- (a) fostering market dialogue, in particular by conducting transparent and inclusive preliminary market consultations with a targeted range of potential suppliers;
  - (b) reserving contracts for work integration social enterprises or for operators that employ **amongst their workforce** at least 30% **persons** with disabilities or disadvantaged workers in compliance with Article 24 of Directive 2014/23/EU, Articles 20 and 77 of Directive 2014/24/EU and Articles 38 and 94 of Directive 2014/25/EU;
  - (c) setting proportionate and inclusive selection criteria to enable small and innovative social businesses to bid for contracts;
  - (d) moving away from the logic of the lowest price by using social award criteria in line with the ‘most economically advantageous tender’ rule and social contract clauses, and setting performance or functional requirements at different stages of procurement procedures, including in technical specifications;
  - (e) dividing contracts into lots, in compliance with Article 46 of Directive 2014/24/EU and Article 65 of Directive 2014/25/EU, also in view of facilitating cooperation between mainstream business and social economy entities, and using simplified regimes, in particular for social and other specific services to make the process more accessible to social economy entities;
  - (f) requiring specific labels in the technical specifications, the award criteria or the contract performance conditions, when they intend to purchase works, supplies or services with specific social or environmental characteristics, in compliance with Article 43 of Directive 2014/24/EU and Article 61 of Directive 2014/25/EU.

16. To help social economy entities expand their reach, Member States are recommended to foster cooperation between social economy entities and mainstream businesses, in particular by:
- (a) raising awareness about social added value by promoting best practices that encourage mainstream businesses to involve social enterprises in their long-term supply and value chains and consumers to buy goods and/or services produced by social economy entities, also known as the ‘buy social’ movement;
  - (b) stepping up the provision of mentoring, matchmaking, and facilitation services to help social economy entities develop long-term partnerships with the wider business community;
  - (c) promote and support work integration social enterprise employees in working with mainstream businesses to gain experience on the open labour market;
  - (d) helping social economy entities and entrepreneurs to make the best use of new technologies to access private markets through social economy-driven online platforms, collaborative spaces and the digital commons.

## State aid

17. Whenever an intended support measure for the social economy constitutes State aid and without prejudice to the applicable rules, Member States are recommended to make full use of the scope under State aid rules to support the social economy, as provided for by Regulation (EU) No 651/2014, the rules on services of general economic interest, and the *de minimis* rule by:
- (a) using the Regulation (EU) No 651/2014 provisions, in particular:
    - i. considering investment aid to small and medium-sized enterprises (SMEs), for example for the purchase of assets in social infrastructure in compliance with Article 17 of Regulation (EU) No 651/2014 **and encouraging use of regional investment aid to assisted areas in compliance with Article 14 of the Regulation;**
    - ii. making best use of the provisions allowing risk-finance aid to SMEs in compliance with Articles 21 and 21a of Regulation (EU) No 651/2014 for example by setting up investment funds with the participation of private investors to specifically support social enterprises, **including by exploring** tax incentives to independent private investors who are natural persons providing risk finance directly or indirectly to the eligible enterprises;
    - iii. considering start-up aid enabling small, unlisted, young enterprises to receive a variety of aid instruments such as soft loans, guarantees with soft premiums, or grants in compliance with Article 22 of Regulation (EU) No 651/2014;

iv. investing in people by adopting aid schemes for the reintegration **in** the labour market of disadvantaged or severely disadvantaged workers in compliance with Articles 32 and 35 of Regulation (EU) No 651/2014;

v. facilitating the full inclusion of workers with disabilities in all types of businesses with the support of specific subsidies, including wage subsidies, to enterprises in compliance with Articles 33 and 34 of Regulation (EU) No 651/2014;

vi. supporting the construction or upgrade of local infrastructure, which may include local social infrastructure, by granting aid to cover the difference between the investment costs and the operating profit of the investment in compliance with Article 56 of Regulation (EU) No 651/2014.

**vii. considering aid for process and organisational innovation for all types of businesses, including social economy entities and start-ups, to develop technology; as well as aid to innovative larger undertakings to collaborate with social economy entities, if they are SMEs, in compliance with Article 29 of Regulation (EU) No 651/2014;**

- (b) In line with the applicable State aid rules, Member States are recommended to explore which services provided by social economy entities could be defined and financed as services of general economic interest, for instance in the field of work integration of vulnerable persons, in social housing or in health and social services such as childcare, care for the elderly or **persons** with disabilities; compensation for services that meet social needs can even be, under certain conditions, exempt from the notification obligation, regardless of the amount of the compensation received, under Commission Decision of 20.12.2011 (2012/21/EU)<sup>39</sup>;
- (c) using the scope available to grant transparent amounts of *de minimis* aid, **taking into account that entities that are entrusted with services of general economic interest have a higher threshold.**

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<sup>39</sup>. Commission Decision of 20 December 2011 on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest (OJ L 7, 11.1.2012, p. 3–10).

## Taxation

18. Without prejudice to State aid rules, Member States are recommended to:
- (a) ensure that taxation systems do not hinder the development of the social economy and assess whether tax systems sufficiently encourage its development;
  - (b) consider tax incentives for the sector, if not already granted, in line with their social policy objectives and the current practices across Member States and in accordance with Union law, which may include:
    - i. corporate tax exemptions on profits retained by social economy entities;
    - ii. income tax incentives in the form of deductions or tax credits granted to private and/or institutional donors or a designation scheme according to which taxpayers can indicate to their tax authority the set percentage of their income tax liability to be allocated to public-benefit entities;
    - iii. tax exemptions on unemployment benefits received as a lump sum payment to facilitate business transfers to worker cooperatives.
  - (c) review the tax compliance burden for social economy entities and where possible reduce it;
  - (d) facilitate compliance on a practical level for public-benefit cross-border donations for taxation purposes, for instance by issuing a standardised form of the recipient entity established in another Member State on the amount of the donation, identifying both the recipient and the donor;
  - (e) make sure that social economy entities are not used for tax evasion, tax avoidance, aggressive tax planning or money laundering purposes, while ensuring the related administrative procedures are effective and proportionate.

## Social impact measurement and management

19. In line with the Commission's actions referred to in point 22(a)v, Member States, **in cooperation with social economy entities and representative organisations**, are recommended to support the uptake of impact measurement and impact management practices, in particular by:
- (a) incorporating social impact measurement and management practices and methodologies in national policy frameworks and programmes linked to the social economy;
  - (b) providing tailored support based on good practices to help social economy entities adopt simple and practical impact measurement and management methodologies that improve their outcomes, demonstrate their social impact, and facilitate access to impact-driven finance;
  - (c) encouraging social economy entities to measure their impact by building capacity through dedicated **cost-efficient** funding, and to use part of the public money they receive (grants or contracts) to measure their social impact.

## Visibility and recognition

20. Member States are recommended to raise awareness about the social economy and how it contributes to achieving social and environmental goals, in particular by:
- (a) **considering** setting up or adapting specific legal forms, legal statuses, labels and/or certification schemes for the social economy, based on assessments of their potential added value, and considering a potential voluntary mutual recognition of labels and certifications used in other Member States. Such assessments should look at the extent to which they can improve understanding of the sector and support its development by providing access to specific advantages (such as tax incentives or flexibility in specific tendering/procurement procedures). The Commission will support this work as described under point 22(a)vi;

- (b) **supporting [...]** communication campaigns and awareness raising events on the social economy, including for younger generations, in cooperation with the relevant levels of government and other institutions (e.g. universities);
  - (c) disseminating successful pilot initiatives and good practices led by social economy entities, promoting action to replicate and scale up this good practice through social economy networks and through public communication.
21. Member States are recommended to monitor the development and performance of the social economy by stimulating research and collecting statistics and quantitative and qualitative data **in a cost-efficient way**, in particular by:
- (a) making the most of the available support from the European Commission to expand their national accounting systems to collect supplementary and comparable data (satellite accounts) and key household surveys (such as the Labour Force Survey and the surveys that feed into the EU-SILC) to collect information on participation in the social economy, including disaggregated data on sex and age (and where feasible other breakdowns) to understand the impact on employment creation;
  - (b) encouraging cooperation on developing statistics among public authorities, research organisations and the social economy, while extending the range of sources of information such as registers, administrative data, surveys and census to collect accurate data;
  - (c) supporting academic and independent research on social economy topics.

## UNION SUPPORT

22. The Council welcomes the Commission's intention to support implementation of this Recommendation by working together with Member States to develop enabling policy and regulatory frameworks for the social economy. In particular this includes:
- (a) carrying out the initiatives announced in the action plan for the social economy, which include:
    - i. launching and maintaining the EU Social Economy Gateway, a clear entry point for social economy stakeholders to find information on Union funding, policies, networks/platforms and initiatives, including capacity building;
    - ii. publishing analysis on the existing taxation frameworks for the social economy **in the Member States** and on the tax treatment of cross-border public-benefit donations and on the principle of non-discrimination;
    - iii. facilitating peer learning opportunities for public officials on topics related to the social economy by organising webinars and workshops. Those events could be based on mapping exercises and the collection and exchange of good practice in a range of policy fields relevant to the sector, enabling participants to share knowledge and identify successful strategies. Those events could also serve as an opportunity for regular exchanges of best practices and peer learning between social economy coordinators from Member States;

- iv. collecting **in a targeted manner** qualitative and quantitative evidence on the operation of the social economy **and the structure of the social economy sector** in the Member States, including by supporting research under the Horizon Europe work programme for 2023-2024<sup>40</sup>;
- v. supporting the development of social impact measurement and management by mapping and reviewing existing practices, including how they meet the needs and capacities of social economy entities, to improve understanding and facilitate their uptake<sup>41</sup>. This work will be conducted in close consultation with stakeholders and will aim to develop simple standard methodologies for social economy entities to assess and demonstrate their social impact;
- vi. launching a study on national social economy labels and certification schemes mapping current initiatives, identifying good practices, common features and criteria, and providing Member States with a common approach and guidance, with a view to voluntary mutual recognition;
- vii. offering Member States technical support for reforms aiming at boosting the social economy both on a bilateral and multi-country basis;
- viii. boosting transnational cooperation in social innovation through the European Competence Centre for Social Innovation, the European Social Innovation Competition and the future network of social entrepreneurs and innovators supported under the single market programme;

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<sup>40</sup>. Commission Implementing Decision on the adoption of the work programme for 2023-2024 within the framework of the specific programme implementing Horizon Europe – the Framework Programme for Research and Innovation and on its financing, COM/2022) 7550.

<sup>41</sup>. The Commission, together with the OECD, shall publish a report that will identify and unpack tailored approaches that are already vetted by social economy entities in Europe, looking at their purpose, scope and main features, illustrating good practices.

- ix. supporting co-implementation of the Transition Pathway of the ‘Proximity and Social Economy’ industrial ecosystem<sup>42</sup> by collecting stakeholder pledges and facilitating cooperation among ecosystem stakeholders on the green and digital transition;
- x. continuing to improve access to funding for social enterprises and other social economy entities, for example through the financial products under the InvestEU programme;
- xi. the use of socially responsible procurement practices in the Commission’s tendering procedures;
- xii. taking stock of the implementation of the plan.
- (b) monitoring and assessing the implementation of this Recommendation;
- (c) based on Member States’ reports referred to in point 26, preparing a report on the evaluation of the actions taken in response to this Recommendation, **also in close cooperation with the relevant European Commission expert groups on social economy and social enterprises**, to be submitted to the Employment Committee and the Social Protection Committee for discussion,.

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<sup>42</sup>. Report ‘[Transition pathway for Proximity and Social Economy](#)’.

## IMPLEMENTATION, MONITORING AND EVALUATION

23. Member States are recommended to adopt or update their social economy strategies, **or to integrate the social economy into relevant strategies or other policy initiatives**, within **24** months of the adoption of this Recommendation.
24. To ensure a successful implementation of this Recommendation, Member States are recommended to review and improve their administrative and institutional set-ups at all levels of governance, for example by **considering**:
- (a) creating a ‘one-stop shop’ to provide streamlined and convenient support to social economy entities in areas such as access to finance and other support;
  - (b) setting up **national**, local and/or regional social economy contact points that play the role of social economy ambassadors and promote the sector, provide peer-to-peer support, facilitate access to Union and national funding, and liaise with national and regional authorities managing Union funds;
  - (c) designating social economy coordinators in national public institutions. These coordinators should have a clear mandate and responsibilities and sufficient resources to enable effective coordination and monitoring of the Recommendation and to ensure consistency in policymaking across government departments and with Union institutions.

25. Member States are recommended to monitor and evaluate at national level their implementation of this Recommendation, including through regular dialogue with regional and local authorities and social economy entities **or representative organisations** to inform, advise and accompany the evaluation, monitoring and implementation of their social economy strategies **or other relevant policy initiatives related to the social economy**.
26. Member States are recommended to report to the Commission on their progress in implementing the Recommendation no later than four years following its adoption and again five years after that. **The reporting should make best use of existing reporting and monitoring tools.**

Done at Strasbourg,

*For the Council  
The President*

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