

**FROM WORDS TO ACTION:
Supporting cooperative and social enterprises to achieve a more
inclusive, sustainable and prosperous Europe.**

Open Letter to the European Commission

As European citizens and scholars, we would like to express our appreciation for the programmatic statements made by Mr. Tajani and by Mr. Barnier in occasion of their January hearings in front of the European Parliament. In their statements, both Commissioners seem to explicitly recognize the potential of the social economy, which includes a variety of organizational forms, ranging from cooperatives to associations, from mutuals and foundations to social enterprises. These organizations, which arise from the European tradition of a vibrant civil society, play multiple and very important roles (economic as well as non-economic, through market and non-market oriented activities) in the production of goods and the provision of services at the local, national and European level. Mr. Barnier in particular seems to stress the fact that the "social market economy" goes well beyond the initiative of the public sector and includes all of the social elements that are at the core of the European economic model. Considering also that these statements come in the wake of the February 19, 2009 European Parliament's resolution on the Social Economy and the EESC's opinion 1454/2009 on the "Diverse forms of enterprise", it seems that European institutions are understanding that sustainable and inclusive economic recovery and growth can only be achieved by finding a better alignment between social and economic interests, which cannot be accomplished by the combination of market and public sector actors alone.

At the same time, we can't help but notice that the EU has taken similar positions in the past, most notably with the Statute for a European Cooperative Society in 2003 and the 2004 Communication on the promotion of cooperative societies in Europe. However, those documents were followed by years during which the organizations that are associated with the "social economy" were largely overlooked by the European Union and most European countries. In fact, in some instances, European policies (including for example fiscal policies and the promotion of the International Accounting Standards) have actually hindered the development of this sector by trying to impose norms that disregard the diversity of the various forms of enterprise, thereby impairing the variety of responses to the problems and challenges Europe faces.

Our concern is thus that European institutions might turn to the social economy in times of crisis, only to disregard the potential of this sector when the economy recovers. Building on the programmatic statements made by Mr. Tajani and by Mr. Barnier, we urge the European Commission and the European Parliament to convert these words into action, providing lasting support to a sector that can be instrumental in shaping a more inclusive, sustainable and prosperous Europe.

To this end, and focusing in particular on the portion of the social economy that creates value through market-oriented activities, we would like to bring to the attention of the European Commission the following points:

- **We need to recast the role traditionally assigned to different kinds of enterprises.** In order to rediscover the social elements that are at the core of the

European economic model, we need to move beyond the paradigm that sees private for-profit firms and public institutions as the only relevant actors and move towards a pluralist view that recognizes the varied roles that different forms of enterprise can play with respect to our collective social and economic goals. As the economic literature is showing, this would also create a healthier competitive environment with firms that have different goals, strategies and behaviours, resulting in better quality and lower costs of goods and services – and more choice for European consumers. Diversity of form and function also enhances the capacity of the European society to evolve effective solutions to its challenges.

- **Mutuals and cooperatives have always been and continue to be prime examples of firms capable of contributing to the European economy and its growth while reconciling economic and social goals,** as evidenced by their track record in a broad range of economic sectors, from agriculture to financial services. In fact, in an increasing number of fields, the forms of enterprise that characterize the social economy might be better suited than traditional firms to today's organization of economic activity, as they embody the eminently European model of smaller firms operating in a networked system of production, and are not only more economically resilient but also more adept at generating open innovation processes. It is no coincidence that cooperatives have been able to grow their business and multiply (including in new economic sectors such as social services) despite an economic crisis that has seen many traditional firms shed jobs or scale back their activities. Moreover, due to their democratic governance model, they are able to satisfy a plurality of stakeholders, thereby reconciling economic and social goals.
- **What Mr. Barnier calls "Social Business" is, in Europe, the vibrant universe of Social Enterprises - a European innovation that is already widely recognized and replicated throughout the world.** The "Social Business Act" mentioned by Mr. Barnier should not overlook the fact that Europe is home to myriad social enterprises that already exist and have excelled at balancing economic and social goals. In fact, more and more European countries have recently passed legislation that recognizes and regulates these forms of enterprise. Given the flexibility of social economy organizations, social enterprises can have different forms (including associations and cooperatives), perform a variety of services of general interest (ranging from education to healthcare or social services), and create value by combining different market and non-market resources. As shown over the past 15 years by a significant body of research, social enterprises, which are an important social innovation in and of themselves, help spearhead and institutionalize social innovation practices and are more coherent with the European model than similar phenomena developed in other contexts (such as some experiences of social entrepreneurship in the United States). Recognizing the effectiveness of these organizations at the European level would be an important step, given the key contributions they are providing in a moment when the public sector is increasingly unable to meet part of the social needs.
- **In the wake of the economic crisis, the role that old and new forms of social economy can and are playing is more important than ever.** The current economic crisis highlighted the limitations of traditional economic and institutional paradigms and at the same time aggravated the issue of social exclusion throughout Europe. In this context, the role that cooperative and social enterprises can play will be even more important: Europe is home to a rich

network of organizations that for decades have contributed to the functioning of the European economy (as in the case of most cooperative banks during the recent crisis) and to alleviating social exclusion. With better institutional support at the European level, these organizations could do much more, not just in addressing social exclusion, but also in propelling sustainable economic growth.

- **Over the last few decades, European policymakers have paid too little attention to cooperatives and other social economy organizations.** Despite their potential, cooperative, associations and social enterprises have until now been overlooked both by national and European policymakers. The legal framework regulating these organizations remains uneven and fragmented across Europe, and there is a dearth of equitable policy initiatives that facilitate their growth. Furthermore, procurement regimes often create barriers and impediments to entry by smaller community based organisations that are particularly adept at meeting local needs.

Now is the time to take action.

It is our hope that Mr. Barnier's and Mr. Tajani's speeches, the programmatic statements contained in the EU 2020 Strategy documents, and the European Parliament and EESC's documents mentioned above represent a real shift in direction (particularly with respect to the policies promoted by the previous Commission, which hampered the cooperative movement by questioning the fiscal treatment granted to cooperatives in some countries), and will translate into **concrete policy initiatives across the European Union in support of this sector.** The fact that 2010 is the European Year for Combating Poverty and Social Exclusion and that 2012 will be the International Year of Co-operatives presents a particularly good opportunity to launch a coordinated set of European policies designed to support the social economy in all of its components, reinforcing existing models as well as promoting new ones.

These initiatives should include the adoption of fiscal policies that recognize the specificity of cooperatives and other forms of social economy enterprise, and in particular the fact that they pursue social goals, provide services of general interest and, partially or entirely, do not distribute their profits - which sets them apart from traditional firms. Moreover, recognizing the important role played by cooperative, associations and social enterprises in the provision of services of general interest, and the particular nature of these services that makes quality control extremely difficult, **public procurement rules should take into account their added value to social inclusiveness and cohesion, rather than being solely based on price.** At the same time, the European Union should **support the creation and development of social economy organizations through industrial and economic policy instruments as well as the use of European structural funds** such as the European Regional Development Fund and the European Social Fund.

Supporting the social economy also means supporting new research and knowledge building. This renewed attention to enterprises with social aims should rely on and support the body of work and research on this sector that is already underway, both at the theoretical level and in the field. In particular, there is a critical need for both theoretical and applied research that can better reflect the actual impact of the social economy, address the fragmentation of our collective knowledge on these forms of enterprise, more readily translate into new policy initiatives at the macro level, and result in better support for management and development strategies at the

firm level. This research could also inform the drafting of “model laws” on cooperative and social enterprises, as encouraged by the Commission in its 2004 Communication on the promotion of cooperative societies in Europe. As many sources, including the Financial Times, have pointed out, there is also a need for tailored higher education and training that go beyond traditional business schools to include curricula geared towards the management of these kinds of enterprises.

These observations, confirmed by decades of experience studying and working with cooperative and social enterprises, represent the opinion not just of the authors of this document, but of many of your constituents – practitioners, scholars, researchers, and private citizens who care deeply about the continued development and growth of the European Union, and firmly believe that more can and should be done to ensure that this development takes place in the most inclusive and sustainable way possible.

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