

## **Commentary on the Social Economy Action Plan**

This document is the result of a first critical reading by CASES of the “Action Plan for the Social Economy”, presented by the European Commission. This is a working document under development to be presented in ongoing debates with relevant CASES’ partners for the joint and common construction of a position on it to be presented to the Government and national and international social economy entities.

After many years of work and commitment by various people and entities of the Social Economy at European level, of which we highlight Social Economy Europe and its members, it is with pleasure that we see presented, by the European Commission, the Social Economy Action Plan.

We believe that this Plan marks a new chapter in the life of the Social Economy, in which it gains more visibility and consistency, due to a greater appreciation and recognition not only of its values and principles - such as the primacy of people and the planet, solidarity, cooperation, justice and social cohesion – but also of the results and impacts of the activities developed by the sector.

This Plan means not only the recognition by the European institutions of the importance of the Social Economy, through a specific policy aimed at the sector; as well as putting into practice, in a concerted and systemic way, concrete mechanisms of action that promote Social Economy entities, and which should be considered and used in the best way, namely at the national level, transforming them into ambitious goals and targets over these next few years.

Having said that, however, it is important to point out and reflect on some critical points.

After a first introductory chapter, which we consider well-structured and revealing the reality and importance of the Social Economy, a second chapter is presented, with the definition of Social Economy. Essentially, this definition is in line with the traditional conception of what the Social Economy is in Portugal, referring to non-profit entities as the main actors: cooperatives, mutual societies, associations and foundations, in line with the Basic Law of the Social Economy, of 2013. However, it also adds social enterprises stating that, regardless of their legal nature, they are companies that operate in the market, also respecting the principles of the Social Economy.

This is understandable, if we take into account, as explained in the Action Plan itself, footnote 16, that “Since the SBI, the term «social enterprise» has been deployed in various EU legal texts to funding purposes”, noting that the expression was thus introduced and disseminated by the European entities themselves - we believe that with the aim of including the different national realities, namely in countries where the traditional entities of the Social Economy are not so developed.

But it is necessary to pay attention to this particular reality, of social enterprises, as we consider essential to defend the principle of the primacy of non-profitability of the Social Economy sector which, in essence, is made up of partnerships of people. In our view, it is necessary to defend the identity and autonomy of the Social Economy sector, based on its own principles and values. And we are concerned that the figure of social enterprise, which includes for-profit companies - regardless of whether, in theory, they are guided by the values and principles of the sector - may somehow distort this fundamental conception of what the Social Economy is, even opening space for social washing practices.

Chapter 3. *Creating the right framework for the social economy to thrive* seems to us to address the essential issues for a better development of the sector, including at regional and local level, and the advantages of cooperation with local public entities, which we consider to be of relevance, should be reinforced, especially in less developed areas.

We welcome, in particular, the proposed clarifying and informative actions on various topics, as well as a greater dissemination of examples and good practices in the context, for example, of socially responsible public procurement, taxation and the creation of labels and certifications. It is intended that the Council Recommendation on developing the framework conditions for the social economy, scheduled for 2023, will provide recommendations in relation to specific policies on employment, state aid, public procurement, taxation, research, education, skills and training, care and social services, financial and non-financial support to business and statistics.

We believe that this Recommendation will be fundamental as another guiding step in the process of operationalizing the Action Plan, which, although it has a time horizon until 2030, only foresees actions for 2022 and 2023, with the need to temporally define, plan and put into practice all the other planned actions or even others that may prove to be relevant. It is therefore necessary to find more concrete mechanisms, including at the level of production of European legislation, that promote the action of national and regional entities in the various areas listed in the Action Plan. On the other hand, it is important to defend the autonomy of States, specifically in the production of Social Economy framework legislation - specifically, not adopting binding directives with regard, in particular, to the statute of the social enterprise and not providing closed conceptual definitions that support the hybridization of the Social Economy Sector - leaving these prerogatives to national governments.

That is, the Member States themselves must define the legal configuration of the sector, the rules by which it is governed, as well as the possible creation of new entities that are justified by corresponding to the needs of citizens and communities, always favouring the principle of not profitability. Let us see that, for example in Portugal, the perimeter of the Social Economy is well defined in the Basic Law of the Social Economy, not considering, at the moment, “social enterprises”. The Social Economy sector is made up of a diverse set of entities, united by common values and principles, but framed by its own legislation based on the history and reality of each country. We would therefore like to see the principle of non-profitability vehemently safeguarded in EU documents, despite the diversity of realities within the Union, without prejudice to possible exceptions as long as they are strictly delimited.

Chapter 4. *Opening up opportunities for Social Economy Entities to develop* is the one that raises the most questions.

The section 4.1. *Business support and capacity building* is based on the assumption of an interaction between social economy entities and capital companies, revealing a possible hybridization of what is a specific reality, and which has to be defended – that of the social economy sector, with its principles and values. There are many references to capital companies that act as social economy entities, referring to the advantages of cross-contamination, but this Plan is intended for Social Economy entities and this has to be well cautioned. We value and reinforce the need to create a single EU Social Economy Gateway.

The section 4.2. *Improving access to funding* refers above all to the different existing transversal support programs and also to some specifically aimed at social economy entities, mentioning the awareness of financial intermediaries, but, as is well known, the social economy entities themselves, often due to their dimension, lack of experience and particular characteristics, find

it difficult to compete for this type of transversal financing. In this sense, we consider it necessary to provide for the existence of technical structures exclusively dedicated to the social economy, including at the national level, to support the preparation of applications, among other activities. Furthermore, this point focuses largely on the financing of “social enterprises”, with very few mentions of social economy entities as a whole, which we consider odd. Furthermore, in the Social Economy sector itself there is – in the form of cooperative, mutual or foundation – a strong financial subsector, powerful and with a relevant weight in the global financial sector, managed under its own rules and principles, which should not be absorbed by the traditional financial sector and which is not properly considered in the Action Plan. With regard to impact measurement, we value and reinforce the perspective of adapting measurement instruments to the reality of the Social Economy.

The section 4.3. Maximizing the contribution of the social economy to ecological and digital transitions will largely depend on the Commission working document “Scenarios towards co-creation of a transition pathway for a more resilient, sustainable and digital Proximity and Social Economy industrial ecosystem” which defines possible scenarios to, through a collaborative effort, co-create concrete actions and commitments with all stakeholders. This is a very comprehensive document, which takes into account the diversity of activities carried out by Social Economy entities and therefore requires a multisectoral analysis. However, we can already highlight as positive the existence of a significant range of community funding, namely for training and qualification. In this sense, we highlight the recent signing, on 11 January 2022, of an Agreement for Vocational Training and Capacity Building in the Social Economy between the members of the National Council for the Social Economy of Portugal. The Agreement provides, among other measures, for the creation, within the scope of the Recovery and Resilience Plan, of a Protocol Center for Vocational Training for the Social Economy Sector<sup>1</sup>. We believe that these measures should include a strong capacity building component for the green and digital transitions, with a view to contributing to the implementation of European policies in this area. The document also mentions the establishment of strategic partnerships, highlighting the Pact for Skills on Proximity and Social Economy Ecosystem, under development, which seeks to mobilize large-scale partnerships for upskilling and reskilling, and which CASES will seek to disseminate widely across the sector and other stakeholders.

In section 4.4. *Boosting social innovation* we draw attention to the fundamental role that social economy entities have played throughout history in this field, and it is essential to defend and promote forms of collective entrepreneurship, which are based on structures of people, for people.

Chapter 5. *Enhancing recognition of the Social Economy and its potential*, a topic that we consider fundamental, provides for regular communication activities within the scope of a long-term communication approach, highlighting the role and specificities of the social economy. In this area, we consider education, professional training and qualification of managers and workers of Social Economy entities to be essential, as well as of all interested parties, including public officials. In this sense, we highlight the recent signing, on 11 January 2022, of an Agreement for Vocational Training and Capacity Building for Social Economy between the members of the National Council for the Social Economy of Portugal. The Agreement provides, among other measures, for the creation of a Protocol Center for Vocational Training for the Social Economy Sector, and a memorandum was also signed between the different parties that

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<sup>1</sup> A memorandum was also signed between the different parties that will implement the Center (the Institute for Employment and Vocational Training, CASES and the Center for Iberian Studies).

will implement the Center (the Institute for Employment and Vocational Training, CASES and the Center for Iberian Studies), within the scope of the Recovery and Resilience Plan. We highlight the need to include the theme of Social Economy in formal education, at all levels, emphasising the need to reach audiences even younger than those mentioned in the Action Plan, namely basic education, through the recommendation of introducing curricular modules on social economy from this level of education.

With regard to the production of statistics, we consider it vital to support this measure which, as mentioned, is “key to making social business models better understood and ensuring evidence-based policy”. This is a topic dear to Portugal, which has been developing Social Economy Satellite Accounts since 2013, which are conceptually and methodologically quite robust. We consider it essential to put in place mechanisms that allow greater adherence to the production of statistics at a national level, in particular Social Economy Satellite Accounts, with Portugal being available to share its experience in this field.