



Mutual learning workshop on the 'Fundamentals of State aid for the social economy'

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Flash report

The 'Fundamentals of State aid for the social economy' workshop is the first in a series of three mutual learning events, organised by the European Commission's Directorate-General for Employment, Social Affairs and Inclusion (DG EMPL) to facilitate the use of State aid to support the social economy. This first event provided 48 public officials from central, regional and local administrations of 24 Member States with up-to-date practical knowledge on the fundamentals of State aid rules. It also offered a space for discussing the challenges and potential solutions concerning the application of State aid rules in the context of the social economy.

Social economy entities promote sustainable development, strengthen the labour market, and foster green and digital transitions. As remarked by Ruth Paserman, Director for Funds Programming and Implementation at DG EMPL, the social economy sector employs more than 13 million people across the European Union (EU), allowing them to play a role in contributing to addressing societal challenges often in an innovative manner. However, social economy ecosystems have been developing differently across Europe as demonstrated by the sector's contribution to the GDP which varies between 0.6% and 10% depending on the Member State. Hence, creating a favourable environment for strengthening the social economy is crucial. To this end, the Commission adopted the [Social Economy Action Plan](#) (SEAP), seeking to enhance social innovation, support the development of the social economy ecosystem and boost its transformative power. An important element of the action plan is the EU Social Economy Gateway that will be launched in 2023. This online portal is foreseen to ensure that social economy actors can find all the information they need in one place on EU funding, policies, training, and initiatives.

At the national level, public authorities across the EU support the social economy sector in various ways, ranging from awareness raising to public funding, including through State aid. While granting State aid can stimulate economic growth and help create jobs, it also has the potential to distort competition in the market. For this reason, EU State aid rules exist to ensure that aid is granted in a fair way that benefits all businesses and consumers, as well as the economy and society at large. These EU-level rules are sometimes further complemented by national provisions when aid schemes are concretely put in place, introducing an additional layer of complexity. Moreover, due to the perceived legal risk of misinterpreting rules and unawareness of State aid possibilities, public authorities tend to underutilise State aid to support the social economy.

To unwrap this complexity, participating Member States discussed concrete examples of designing State aid measures to develop the social economy sector. For example, the **Czech** Ministry of Education, Youth and Sports presented its State aid funded measures under the [Johannes Amos Comenius Operational Programme](#), which supports the development of an open and educated society as well as research and development. In particular, Czechia supports social economy entities through State aid by financing private schools and higher education institutions that are established as non-profit organisations. **Finland** shared its experiences with the [Centre of Expertise for Social Enterprises](#), a network funded by a discretionary government grant, acting as a multiplier and catalyser for the social economy. The Centre aims to strengthen the conditions

for social enterprises and increase the employment of people with disabilities or partial work ability by providing guidance and advice – including on access to State aid – to Finnish entrepreneurs and organisations involved in the social economy.

The importance of public financing for establishing and strengthening a thriving social economy ecosystem was reiterated by the Euclid Network, a European network of organisations that support social entrepreneurs. According to the result of the latest [European Social Enterprise Monitor](#) (ESEM), the key barriers social economy entities face are a lack of State financial support as well as limited access to finance, markets, and visibility. These findings indicate that State aid and EU funding have the potential to make a difference for social enterprises, allowing them to scale up and deliver impact. Participants also confirmed these conclusions during the event, highlighting the importance of access to finance and upskilling of social enterprises, along with the need to raise awareness and improve communication across institutions and involved stakeholders.

Key learnings and insights from the mutual learning workshop

Participants emphasized the importance of addressing coordination and knowledge gaps among stakeholders to effectively implement State aid rules for the social economy in the EU. Enhanced collaboration and understanding of the regulatory framework can contribute to the better interpretation and application of State aid rules at the national level. This, in turn, will create improved conditions for the growth of the social economy.

These key insights of the event are further detailed below, complemented by existing national examples and best practices (where applicable).

Coordination and collaboration improve the implementation of State aid rules for the social economy

Establishing collaboration within national administrations facilitates effective use of State aid.

- Unlocking the full potential of State aid and social economy policies requires seamless coordination within national public administrations. Currently, fragmented responsibilities across national administrations and a lack of expertise hinder progress. Member States should bridge this coordination gap by establishing inter-institutional collaboration that brings together State aid experts and social economy policymakers.
- For instance, **France** succeeded in creating an informal inter-ministerial group, fostering knowledge exchange and efficient practices within the national administration. As a result, they ensured a streamlined and effective implementation of policies that drives economic growth and empower social enterprises.
- The **Netherlands** has established a structured approach for testing State aid plans by systematically having them checked by a specialised lawyer within the national government.

Building a community across Member States allows them to share State aid practices.

- Building a community of practice among Member States would provide public authorities with a platform to address their context-specific challenges regarding State aid implementation. At the moment, there is no specific mechanism for sharing good (and not-so-good) practices and exchanging knowledge concerning State aid rules for the social economy.
- Regular exchanges within a community of practice could enhance the interpretation of State aid rules, facilitating their optimal implementation for the benefit of social economy entities and, ultimately, the society as a whole. This forum could also provide a space for Member States to discuss common challenges, ranging from providing access to finance, to procedural burdens related to the application of rules, and the specific complexities of providing State-aid compliant support to the social economy sector.

Harmonised guidance from the European Commission contributes to the coherent design and implementation of State aid rules.

- Consolidating the guidance provided by the different Commission services can enhance the implementation of State aid rules for the social economy at the national level. In some instances, Member States reported challenges in consistently applying guidance on the utilisation of State aid and EU funds coming from different Directorate-Generals of the Commission. Ensuring the Commission's advice is more harmonised among various DGs would help ease the interpretation of State aid rules and reduce the uncertainty when applying these at the national level.
- The Commission should also raise awareness about the options that Member States currently have for testing their State aid related plans, such as contacting the Commission or checking the State aid register, including a collection of all the decisions that the Commission has taken regarding the implementation of State aid rules.

Better understanding of the social economy sector leads to a better use of State aid resources

A deeper understanding of social economy entities informs about the kind of support they need.

- Awareness raising is needed at the level of national administrations to tap into the social economy's added value, namely incorporating valuable social impact within sustainable businesses. Currently, the social economy entities are expected to perform at the level of private companies while measuring the social impact of their activities. A better understanding of the social economy ecosystem's strengths and specificities can contribute to tailoring and allocating State aid resources more effectively.
- Improving public officials' knowledge of State aid legislations and existing social economy ecosystems can help better tailor State aid solutions. Depending on the legal framework of the Member State, the legal status of social economy entities may be recognised in several different forms (i.e., in **Italy**, there are fifteen different social economy enterprise legal forms), or may not be established or regulated at the national level at all. Sharing experiences in this regard can assist in developing social economies at different stages of development.
- National and regional administrations should manage their knowledge and expertise within their staff to ensure its dissemination and transfer among public officials in case of staff turnover. Due to the specificity of the know-how involving State aid and the social economy, only very few individuals build experience in both fields, and their departures might create significant knowledge gaps.

Financial aid must be coupled with non-financial support for a thriving social economy ecosystem.

- A more holistic approach must be adopted to address the barriers that social economy entities are facing. Financial support (including via State aid) should be complemented by a wider set of activities to facilitate the optimal functioning and growth of the social economy ecosystem.
- Non-financial support can include developing tools for better understanding the nature of social enterprises, gathering data on the specificities of the sector to inform evidence-based policies, and enhancing efforts for a more enabling environment for the social economy entities – such as hubs, competence centres, incubators, accelerators and networks. The Centre of Expertise for Social Enterprises established by **Finland** is an example of this more comprehensive support.

Next steps

The series of mutual learning workshops will continue supporting public officials in deepening their knowledge about State aid rules for the social economy and sharing practices about their application. Drawing from discussions of the first event, most participants stated their desire to

learn more about the notion of social economy and SGEI, as well as the related Commission decision on SGEI for public compensation up to EUR 15 million. Relevant articles on the GBER, social impact measurement, and improving the visibility of the social economy were also flagged as being of interest. The next workshops will take place in June 2023:

- 'The General Block Exemption Regulation, its content and application. Specific focus on access to finance for the social economy' (in-person workshop in Brussels, Belgium on 12-13 June 2023).
- 'Leveraging State aid possibility related to services of general economic interest' (online workshop on 29 June 2023).

Contacts:

European Commission

Directorate-General for Employment, Social Affairs and Inclusion

Directorate G — Funds: Programming and Implementation

Unit G3 — Social and Inclusive Entrepreneurship

E-mail: empl-g3-unit@ec.europa.eu