



**European Commission**

**Directorate General Employment, Social Affairs and Inclusion (EMPL)  
Directorate General Enterprise and Industry (ENTR)  
Directorate General Internal Market and Services (MARKT)**



**Groupe d'experts de la Commission  
sur l'entrepreneuriat social  
(GECES)**



**4<sup>th</sup> meeting – Thursday, 28 November 2013  
Charlemagne building, rue de la Loi 170, Brussels/Meeting Room Jenkins**

## **MINUTES of the MEETING**

**Adoption of the GECES'3<sup>rd</sup> meeting (06 June 2013) minutes and of the agenda of the day**

***Axel de Martène, member of the cabinet of Michel Barnier (European Commissioner, Internal Market & Services)***

Axel de Martène thanked DG MARKT, DG ENTR, DG EMPL, and all DGs who have spent several years preparing the SBI. He thanked the GECES members for passing on field information from the Members States (MS), and for feeding back of EU message to the MS. He also mentioned that the EESC have given great support to the initiatives of the Commission.

He stated that the GECES itself is a living organism, with people coming and going all the time and he welcomed three new members to the group, Julie Savary, Alain Coheur and Karl-Heinz Richter.

He concluded saying that the European Commission (EC) valued the contributions of the GECES members and hoped that this framework would continue. There are other initiatives currently getting off the ground also related to social business e.g. G8 which would be discussed later on the agenda and will see how all of the work that has been done to date and will serve as a springboard to other networks and maybe even spreading the effect of social business outside the EU borders.

**The SBI: state of play at the European Commission's level  
*Session I / Chair MARKT***

The EC welcomed new members, and noted that in summary most of the SBI achievements board has moved from red to green and has been almost completed in its entirety. Although there are a number of areas that can be progressed and developed further, the methodology to do this will be discussed in Strasbourg, working together with all of the stakeholders.

All achievements can be seen in the [new brochure](#)<sup>1</sup> prepared by DG MARKT for Strasbourg. A few items on the [achievements table](#)<sup>2</sup> were highlighted:

<sup>1</sup> [http://ec.europa.eu/internal\\_market/publications/docs/sbi-brochure/sbi-brochure-web\\_en.pdf](http://ec.europa.eu/internal_market/publications/docs/sbi-brochure/sbi-brochure-web_en.pdf)

### **Access to financing**

The European Social Entrepreneurship Fund Regulation (EuSEF - Key Action 1) has entered into force this summer. Although there are no specific figures of social enterprise funds in MS to hand at present, the process to gather this information is ongoing with the aim of producing a census of all of the MS. The Good Conduct Guide on Microcredit was published this year (Key Action 2). On the European Financial aspect (Key Action 3), in November agreement was reached on the EU structural funds i.e. old PSCI now the EaSI 85m. He stressed that the investment priority must be lived up to.

A substantial amount of work has been done on crowdfunding, the working group will continue to work there and are considering developing exchange platforms.

### **The visibility of social enterprises**

A lot of work has been done to encourage MS and a guide to promote social business was published on encouraging social innovation which is aimed at local and regional authorities. The Social Innovation Europe platform (Key Action 8a) has been extended and it is hoped to develop it bring it closer to the ground and give it a multi-lingual function.

Efforts are being made to improve training via the traditional Erasmus programmes (Key Action 8b).

Regulatory aspects, the European cooperative notion has led to a study and it is now clear that there is a need to increase visibility and understand the system to reform the legislation (Key Action 9a). There are discussions on this ongoing in Parliament and Council.

On mutual associations (Key Action 9c), a study was carried out on mutual associations and the follow-up results have been published. The EC is looking at the impact of the study before proposing any legislation. It was stressed that the EC is committed to this task as the stakeholders have been very vocal on this.

On state aids (Key Action 11), the new directive on services has been in force since January 2012, and at the moment the EC is working to revise of the general category exemption to all companies including social businesses.

### **Questions/Comments:**

However, on the state aid regulations exemptions, it would be good if the group could look at the appropriateness for this to Social Businesses.

These are a category of people that we should pay attention to.

## **Sub-group "Methodology for measurement of social impact of social enterprises" Session II / Chair EMPL**

An overview of the [report](#)<sup>3</sup> "Proposed Approaches to Social Impact Measurement in EC legislation and in practice relating to EuSEFs and the EaSI" was provided by a GECES member with the support of Jim Clifford, scientific advisor of the sub-group, and was followed by a Q&A session. 19 GECES and non-GECES experts were involved in developing the report over 6 one-day meetings and over 24 external experts from different countries were consulted on it. The report includes four main sections: A - sub-group's mandate and need for such a report, B – state of development of the social impact measurement, C – the standard developed by the sub-group and D - wider guidance and discussion about application of process and standards.

<sup>2</sup> [http://ec.europa.eu/internal\\_market/social\\_business/docs/expert-group/20131128-follow-up\\_en.pdf](http://ec.europa.eu/internal_market/social_business/docs/expert-group/20131128-follow-up_en.pdf)

<sup>3</sup> [http://ec.europa.eu/internal\\_market/social\\_business/docs/expert-group/20131128-impact-measurement-subgroup\\_en.pdf](http://ec.europa.eu/internal_market/social_business/docs/expert-group/20131128-impact-measurement-subgroup_en.pdf)

In the context of the Single Market Act II, which called the EC to work on a methodology for measuring the socio-economic benefits created by social enterprises, the aim of the report is to support the EC in developing an approach for social enterprises' and fund managers' social impact measurement, in particular by facilitating the implementation of the financial instruments under the new Programme for Employment and Social Innovation (EaSI) and of the European Social Entrepreneurship Fund (EuSEF) Regulation, where a second tier regulation on social impact measurement is possible. However, EuSEF and EaSI differ in their needs, focus and application and the GECES sub-group has been aware that they might require different solutions. Social impact is defined in the report as the reflection of social outcomes<sup>4</sup> as measurements, both long-term and short-term, adjusted for the effects achieved by others (alternative attribution), for effects that would have happened anyway, regardless of the intervention (deadweight), for negative consequences (displacement), and for effects declining over time (drop-off). In coming to a set of standards capable of wide application under EuSEF, EaSI and beyond, the members of the sub-group focused on four elements:

- **PROCESS** - A series of steps by which a Social Enterprise or Fund investigates, understands and presents how its activities achieve change (outcomes) and impact for target population.
- **CHARACTERISTICS** (of good measurement) - Those features of the reported measurement of the outcomes and impacts from an intervention or activity that mean that it should be recognised and relied upon as valid.
- **FRAMEWORK** – A matrix of expected outcomes and sub-outcomes set within each major area of intervention (eg: education; youth engagement and employment) which list most of outcomes and associated indicators that a social enterprise might be targeting.
- **INDICATOR** - A particular way of attaching a value or measure to those outcomes and impacts.

The authors recommended that the standard focuses on a common **process** of impact measurement designed to give account of intervention, its outcomes and how it achieves them and on common **characteristics** that define measurement disclosure (reporting) of acceptable quality. The standard should not foresee a specific mandatory set of indicators for each type of social enterprise; rather social enterprises should be given guidelines about indicators typically used in their domain, but could use other indicators as long as they explain why those are better suited to their own situation.

The measurement should follow five steps of a common process, starting by (1) identifying objectives and (2) stakeholders, (3) setting relevant measurement, (4) measuring validating and valuing and finally (5) reporting, learning and improving. The report also highlighted the importance of including appropriate and proportionate evidential underpinning in the report on the measurement of the social impact achieved, focused on how the process has been applied and detailing the stages and results of each step.

The sub-group also provided further recommendations, concerning the indicators and their selection, proportionality and how it should be understood by social enterprises and investors / fund managers, the involvement of stakeholders throughout the measurement process etc.

Finally, the sub-group suggested that a series of short **guidance papers** should be produced in order to assist the different parts involved in the measurement process, together with a **knowledge centre** offering advice. In addition, the development of a preferred, but not compulsory **framework** and of **reporting formats** was recommended. The sub-group argued for the **continuation of the sub-group** at the EU level and for an **annual revision of the standard**, which would also allow for an appropriate **EuSEF follow-up**.

Overall, GECES members were satisfied with the report and confirmed that it resonates with their experience on the ground and their research. Some members also expressed appreciation on the consultation process undertaken by the subgroup and underlined the importance of not losing the sense of the work and continue focusing on the process rather than the indicators. The representative of the EESC in GECES also mentioned that their opinion which was in the process of being finalised was in line with the approach proposed. He also stressed that the priority they are putting forward focuses on mapping the practices at the national level rather than standardising. Among the issues raised by the members were:

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<sup>4</sup> Social effect (change), both long-term and short-term achieved for the target population as a result of the activity undertaken with a view to social change taking into account both positive and negative changes.

- The impact measurement methodology puts the fund manager in charge of setting social enterprises' objectives. Instead, the methodology should be clearly social enterprise-driven (ie. it is the social enterprise who decides on the methodology) and should not overburden them.
- The values of the social economy should be further reinforced in the report and this would also put the accent on the target beneficiaries.
- A clearer focus on the importance of the participatory process and stakeholder analysis and engagement in the measurement process should be included in the report, as well as a reference to the specific governance models.
- The guidance part on how to practically assess social impact needs further development, as well as the timescale of such a process.
- Proportionality is key and should underpin, not hinder innovation. This is why piloting/testing the approach proposed before implementation is essential.
- While in both EaSI and EuSEF the final beneficiaries are the same, the investor (public versus private) is different and this difference and its consequences should be further reflected in the report.
- Despite the various geographical origins of the members of the sub-groups, due to the development of the sector in particular in some EU countries, the report appears to reflect mostly the lines of thought and practices from those MS.
- The possibility of developing a quality label for social enterprises could be assessed.
- Capacity building is essential in order to ensure that social enterprises and fund managers understand how to implement impact measurement.
- There is no reference in the report to the fundamental rights, especially relevant when measuring social services.
- The report would need a tool so that the process described can become operational. The idea of creating a Knowledge Center received widespread support from the members who also explained its importance in terms of raising awareness and promoting learning. However, they noted it would need a clear commitment from the Commission and should not be left for a later stage.
- The difference between outcome and impact is not so clear.
- It is not clear whether the framework matrix is based on IRIS or on other tools.
- Would the methodology presented become compulsory? And to what extent would Member States be involved in ensuring that the methodology will be applied for EuSEF?
- While the current report is a good basis, its implementation should not be limited only to social enterprises, but should include also other businesses, such as enterprises for personal services.
- The social risks faced by entities working in the area of social action are difficult to quantify. A more qualitative approach should be included.

A GECES member explained that most of the replies are to be found in the report and were not presented due to time constraints, such as stakeholders' engagement, or proportionality and impact vs. outcome indicators. However, they agreed to verify and highlight some aspects which were mentioned. Concerning the timescale, a GECES member and a scientific advisor of the sub-group explained that decisions need to be taken, but should it be decided that the methodology should be further developed, resources need to be earmarked for a guideline and the collection and synthesis of the existing practice from the Member States. The GECES member also clarified that in the report the distinction between EaSI and EuSEF is made and that no domination of the fund manager was suggested, but rather the support offered to the social enterprise in selecting the right indicators should be included. The speakers added that the definitions will be adjusted and the scientific advisor of the sub-group explained that the theory of change refers to the entire effect on the environment. Concerning the proportionality issue and the difficulty to implement the proposed approach by the small social enterprises, the speakers concluded that the minimum requirement is that all organisations follow the process, but that the degree of depth will make the difference between small and big social enterprises. The cost of impact measurement should not overburden the organisation. On the indicators, while IRIS database could be a starting point, the GECES member argued it should not be the only input.

Some questions referred to how the report recommendations would be used in relation to EuSEF and the risk that national supervisors would apply measurements in different ways. The EC explained that the EuSEF regulation has a number of level 2 empowerments which are needed to flesh out how EuSEF will work in practice in some areas. This work will be carried out by ESMA with the active participation of competent authorities from all MS. ESMA will need to ensure that uniform standards will apply across the EU. Areas where level-2-work is needed include:

- Cross border notification to ensure there is no gold-plating by host MS.
- Conflicts of interest. One of the conflicts of interest that has to be addressed is the one arising if a EuSEF manager offers services to help the social enterprises they invest in.
- Valuation as standard financial valuation may not be entirely appropriate for social businesses.
- Social impact measurement. One of the issues to address here is whether supervisors will be able simply to refer to the sub-group report or whether it will need to be given more formal status as, for example, guidelines as some MS' competent authorities can only recognise official rules and guidelines.

The EC concluded by summarizing the main points and inviting GECES members to provide further comments in writing in the following days. The next steps will consist in revising the report on the basis of the comments and recommendations provided, circulating the final version and then having it formally approved.

Afterwards, in the margins of the meeting, the two GECES representatives made the point that financial regulators may not understand the nature of the social businesses being invested in. The EC explained that if it is a major concern, then they need to ensure that they properly brief their market regulators on the issues and get them involved with the forthcoming ESMA work.

<p><b>G8 Task force on Social impact investing</b> <i>Session III / Chair ENTR</i></p>
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The EC gave a brief introduction to G8 task force. It was explained that checks are done to see whether the financing and investment has a social impact, and that the work of the task force partially crosses over with the work that the EU does in this area. He invited two GECES members to give more information about the task force.

A GECES member introduced the task force and explained that task force was announced in June 2013, on the back of a G8 meeting on social impact investment held in the UK. The meeting explored 3 different topics: the role of social economy, the role of impact investing in overseas aid and development and the emergent standards and practices globally. Task force seeks to observe what is the best practice occurring in these areas around the world, but particularly in those G8 countries represented on the task force. Initial finding will ideally be reported by September 2014. The task force is a voluntary endeavour made up of government representatives and leaders from the social sector. The membership is made up of the UK, USA, Canada, France, Germany, Italy, EU representatives and, as observers, Australia and development finance institution observers. The task force is supported by a range of national advisory bodies lead by private/social sector representative from each of the countries represented on the task force. There are 4 working groups: impact measurement, which leans very much on the work done by the GECES subgroup; international development and impact investing, which looks at the role of impact investing in overseas aid and development; asset allocation, which looks at how capital can be attracted to social impact investment from specific investor

communities; and mission alignment, which looks at issues behind corporate form, governance and legal protection.

Another GECES member added that there are a number of links between the work of GECES and the G8 and that it is essential for the G8 task force to be fed into by the work of the GECES. A report from the OECD will be needed to accompany the work done by the G8. To establish the link between the task force and GECES, in Germany, Italy, UK and France, there will be national committees put in place to work on the proposals. A representative will speak on behalf of the EC at the task force and as such, it would be important for this person to follow the work of GECES group. The taskforce can feed into work of G8 using good practices, and case studies allowing them to look at the work from a larger perspective. There are other countries outside EU in the G8 and all of the work done by the taskforce can feed into the work done by the G8. A GECES member hoped that as many links as possible can be made between the work done in GECES and G8.

### **Questions/Comments:**

- Despite the similarity in vocabulary regarding to social impact investment and social impact bonds, the subject that needs to be looked at is much broader than just this. The G8 task force seems to be focused on developed countries where there is also room for manoeuvre in developing countries. There needs to be an open approach towards development policy.

A GECES member responded that the subject is much wider than just social impact bonds. International development does have a working group on it, e.g. France has a working group looking at social impact on southern countries. In the first meeting in Washington, this subject was on the table and they were looking towards including international development as well.

- Proposal that the document proposed on social impact effect could be transmitted to the G8 task force as it is important to distinguish tools. The G8 group is extremely representative and would like the Commission and the EU to take note.
- There should be a mirror group for developing countries to have dialogue with the task force. There is a need to involve emerging and developing countries too.

A GECES member replied that the role of impact investment in developing countries and draw work into task force is of paramount importance. The task force is very aware of the need for both voices to be represented.

## **Crowdfunding**

### ***Session IV / Chair ENTR***

- [Follow up of the COM'conference](#)<sup>5</sup> of 3<sup>rd</sup> June 2013

The EC explained that crowdfunding is a request to the public to receive common financing for projects and that it is a new and very current form of financing. It can be completely free or be a micro-investment with reciprocation either in the form of money or in kind. The EC invited the members of the GECES to participate in a Commission public consultation on crowdfunding in Europe.

The EC gave a brief presentation on the on-going public consultation. Some of the partial results concerning social forms of crowdfunding were discussed. The results to that date showed that the majority of respondents

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<sup>5</sup> [http://ec.europa.eu/internal\\_market/finances/crowdfunding/](http://ec.europa.eu/internal_market/finances/crowdfunding/)

were in favour of treating social forms of crowdfunding differently than crowdfunding for profit only. However stakeholders did not have a very clear view as to how this form of crowdfunding should be treated. Some referred to ensuring a system of ex-ante checks, others pointed to ex-post controls. Stakeholders were quite divided concerning the role of impact measurement in this context: while some were in favour others were strongly opposed to harmonising and introducing them here.

Taxation was mentioned by several stakeholders as an important tool to channelling investments towards social goals. This latter aspect was also discussed by GECES members in their interventions, pointing out that tax incentives are indeed important drivers, but that tax neutrality is important not to distort the economy. A participant presented the example of his crowdfunding platform in Germany and pointed also to taxation and regulatory aspects as main obstacles to further growth.

## **Mapping of the Social Enterprises**

### ***Session V / Chair EMPL***

The EC briefly introduced the fifth key action of the SBI, the study on the mapping of social enterprises.

The five tasks of the study were presented: 1) identification of social enterprises and the creation of a common EU operation definition, 2) measurement, characterisation and mapping of social enterprises, 3) Legal and standards mapping, 4) mapping of public policies and social investment markets and 5) developing recommendations for EU action (policy + future research). A representative also explained the organization of the team, consisting of a core team, research team, country experts and legal experts supervised by a scientific committee contracted by ICF GHK and a Quality Check Team contracted by the EC, under an overall oversight and guidance of different Directorates General of the EC. In terms of timeline, the contractor finalised the inception report and was in course of finalising the final interim report, which would include elaborated country reports for 11 pilot countries and a synthesis of the results of the pilot research (including legal mapping), examples of models of good practice in social entrepreneurship support, a mapping of the social investment markets in Europe and a typology of social enterprises and typology of public intervention, resulting from the second seminar. The final draft report is foreseen for the following months and will be followed by a seminar and then by the final report.

The scope of the country reports is to deepen the research on the origins and evolution of social enterprises in the specific country, make an overview of existing concepts and ideas of social enterprise, focus on the ecosystem (policy and legal framework, public support schemes, marks and branding schemes, networks and actors, social investment markets, opportunities and barriers) and on the scaling, scope and characteristics of social enterprise.

The methodology consists of desk research covering existing academic, policy and grey material, Semi-structured interviews with a range of stakeholder groups and a survey of up to 20 social enterprises per country (purposive sampling).

A GECES member asked that the study should take into account only the social enterprises which are in line with the EC's definition, especially regarding the reinvestment of benefits.

## **Preparation [Event "Social entrepreneurs: Have Your Say!"](#)<sup>6</sup> 16-17 January 2014 in Strasbourg**

### ***Session VII / Chair ENTR***

An independent Consultant gave an overview of the event and how the afternoon will proceed. [A video by Commissioner Barnier](#)<sup>7</sup> inviting people to participate in the event was presented. The intention of the event was presented as cross-roads – a meeting place for all the actors in social enterprise to come together, to amplify and catalyse the social economy at a time when social economy brings hope. The desired outcome of

<sup>6</sup> [http://ec.europa.eu/internal\\_market/conferences/2014/0116-social-entrepreneurs/index\\_en.htm](http://ec.europa.eu/internal_market/conferences/2014/0116-social-entrepreneurs/index_en.htm)

<sup>7</sup> <http://www.youtube.com/watch?v=i14XrAJutkI>



event is to be celebration, illumination and declaration. Purpose is to take stock, identify future priorities and to strengthen stakeholder relationships. Political decision makers, researchers, civil society, social entrepreneurs and investors will be attending. The results collected during the event by the harvesters will aim to identify clear achievements, surface social entrepreneurship values and illuminate new areas of collaboration. The main focus is to make the event participative – to bring together different actors in one place each bringing new perspectives to the conversation.

The EC focused on the content of the programme and described how the Strasbourg Declaration will arise out of this event.

An external Consultant clarified the methods which people can engage in prior to and during the event. Before the event: the GECES group was asked to mobilise their networks and invite them to the event, to use twitter (@socenteu, #socenteu) and the [online forum](#). Throughout the event, the group was invited to voice their views and interact with social entrepreneurs present. The group was informed that KONNEKTid would be present during the event, an enterprise whose mandate is skills matching, online and on site.

**Preparation [Event "Social entrepreneurs: Have Your Say!"](#)<sup>8</sup> 16-17 January 2014 in Strasbourg**

***Session VIII / Chair MARKT***

The harvesting process was explained to the GECES Group. It will consist of the gathering of all the information from the event, to make meaning of it and then pass this information on to the drafting team so it can be used in the creation of the Strasbourg Declaration. However, the harvesting role is also a networking role in that the harvesters must gather the connections between the participants and what information was generated from these encounters. There is a team of 10 different people but are calling on the GECES members to help.

The idea of the Strasbourg Declaration was presented. It was stated that everyone needs to work together as the emphasis on social enterprise is not institutionalised; the EC's view towards social enterprise could change with the new EC at the end of 2014. All aspects of the event will feed into the Declaration. Creating the Declaration will be a two stage process:

- 1) Harvesting, gathering all of the information together
- 2) Crafting all of the ideas into a document. For the drafting process the aid of two GECES members was requested.

The EC stressed to the group that the Declaration is not a draft Bill or piece of legislation. Nor is the person with the pen, the person with the power, the drafting group will need to work together as a team to draft the Declaration. The Harvesting team will be very important to the drafting group as they will feed the group the conclusions harvested from the event.

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The next GECES' meetings will take place on Tuesday 10<sup>th</sup> and Wednesday 11<sup>th</sup> June 2014 in Heraklion (Greece) together with the Greek EU presidency conference on social entrepreneurship.

Brussels, 02 April 2014

*Minutes written by the European Commission, and implicitly agreed by all attendees (Agreement via exchange of emails between 10 March 2014 and 28 March 2014)*

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<sup>8</sup> [http://ec.europa.eu/internal\\_market/conferences/2014/0116-social-entrepreneurs/index\\_en.htm](http://ec.europa.eu/internal_market/conferences/2014/0116-social-entrepreneurs/index_en.htm)