

“Never waste a good crisis” – Winston Churchill

Enhancing social entrepreneurship and social innovation in Europe

Progress has been made to reduce inequalities in Europe, but there remain considerable impediments for many marginalised and underrepresented groups. The consequences of the COVID-19 crisis is already leading to higher levels of individuals at risk of social exclusion, unemployment and threats to environmental political commitments. Tackling these global threats can only be achieved through systemic change.

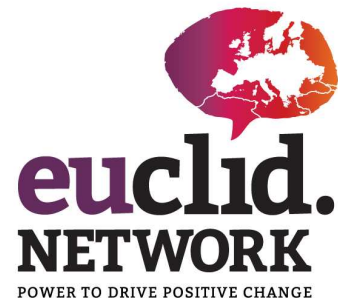
Global trade, investment and business activity are the most powerful drivers towards a green and inclusive economic economy. So, social enterprises which trade for or with a social or environmental purpose, offer a business model to help achieve our shared objective for more equitable and sustainable development.

Right now, social enterprises are directly contributing to cushion the impact of the crisis by providing social services, employment of vulnerable groups, provision of first aid, digital schooling, funding for innovative quick response solutions, etc. Remarkable are social enterprises that are altering their businessmodels in response to the covid pandemic. For example textile companies that get involved in the making of mouth masks.

Despite the positive impact social enterprises bring about, social and inclusive start-ups and scale-ups face challenges to fully thrive. Euclid Network conducted a survey and interviews amongst its members (including 24 of the most prominent national networks for social enterprises) from 20 countries to assess the impact of the COVID-19 pandemic on social enterprises. The report attached provides a synthesis of the results.

Social enterprises face difficulties accessing general business support

While general business support is available in most European countries, social enterprises face difficulties accessing the available (financial) support (e.g. in Netherlands, Germany, Austria, Italy, Spain and Croatia). There are diverse reasons for this. In e.g. the Netherlands where there is no dedicated legal status, social enterprises register as a non-profit or NGO and are therefore not entitled to business support. Another reason can be that policies in a country are aimed at a specific sector, while social enterprises, however, are active in more sectors than just one (Germany). That makes it unclear which of the policies are applicable. Lastly, fast growing companies can face specific problems because most of the financial support available will be based on growth rates from last year, and not the current size of staff or revenue streams.



Lack of tailored social enterprise support

There are only a few examples of tailored responses or sector-specific stimulus packages that take into account the specific role and social impact of social enterprises (e.g. France). Where present, they do not seem to fully address the level of financial need and are less sizeable than the support for other (sometimes even smaller) sectors. Euclid Network and its members observe a lack of strategic involvement of social enterprise that puts it at the heart of the response. Despite positive mobilising of volunteering initiatives, there has also been a lack of strategic deployment of that resource. The view persists that social enterprise comes “on top” and is not essential to a successful response. Finally, currently no flagship campaigns supported by governments on the national level exist to leverage philanthropy, individual giving and draw in corporate philanthropy to the social enterprise response.

Available support only covers short-term liquidity needs

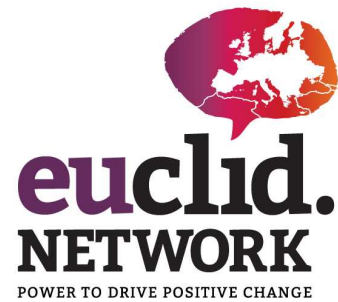
The financial instruments that are available only cover short-term liquidity needs. A significant number of enterprises in services-based sector will see a minimum of 6 months revenue loss - Working capital alone will not address this. There is a need for support funding to bridge this gap but one where future financial viability is not impaired by support cost. Covid compliance restrictions will both add non-recoverable costs while also negatively restricting future revenue streams. However, all supports costs such as rent, insurance costs etc remain at pre-covid level. If working capital is provided to support this on a loan basis many will be significantly impaired for any future growth. In reality there will need to be a write off of elements of support required to avoid a long debilitating tail occurring within the sector.

Shrinking of public funding and closing civic space

Social enterprises often rely on public grants and subsidies. This source of funding is shrinking in many countries (e.g. Bulgaria, Croatia) as public funds are redirected to the immediate health crisis. CRII and CRII+ allows national governments to redirect the cohesion funds to response to the COVID-19 pandemic, which in practice means that budgets initially allocated to social enterprises are shrinking. There is also a concern about the acceleration of closing civic space. Many social enterprises are having to make trade-offs between public health and civil liberties, with little guidance on how to protect rights and freedoms. Some states are using the COVID-19 pandemic to further close civic space.

Digital “apartheid”

The crisis has highlighted the potential for a "digital apartheid" to develop. While it has positively accelerated the potential of digital services, there is a strong case to be made, particularly around educational and mental health services that limitations on ease and quality of access will deepen societal divides. Equally, the provision of personal services requiring physical contact - OT, Physio, Rehab, etc. need direct support to deal with the



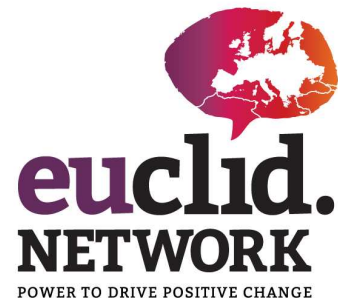
significant cost base increase they will suffer. Without that, access to the services across the broader population may become restricted in a similar way.

To address these challenges, Euclid Network and its members call on the European Commission to support the social enterprise sector by:

- Providing a financial recovery scheme appropriate to the recovery cycle time for the sector that does not drain the sector of capability to expand post recovery;
- Ensuring that funds already allocated to finance social enterprises are not suspended, and introduce flexibility and patience in investments and loans already placed;
- Leveraging philanthropy, individual giving and draw in corporate philanthropy to the social enterprise response;
- Promoteing socially responsible public procurement in Europe through:
 - binding social and environmental clauses in 100% of EU tenders and public contracts.
 - encouraging Member States to include binding social and environmental clauses in all their public contracts.
- Supporting intermediary organisations offering tailored social enterprises assistance in financing, networking business advisory and development support.
- Supporting social enterprises in the transition to remote work and digitization of products & services.
- Ensuring visibility of social enterprises amongst the general public, governments and corporates
- Investing and educating in impact measurement for social enterprises to better demonstrate their positive effect on the economy and society.
- Encouraging inter-sectorial alignment between initiatives to address social & environmental needs so as to make them more effective.
- Stronger support to policy measures, finance instruments and social incubators for EU candidate countries

(Post) COVID-19 roadmap for a more inclusive and sustainable economy

Euclid Network envisions a world in which the social and solidarity economy is the standard, rather than the exception. The policy decisions governments make now, will determine what our Post COVID-19 economy looks like. As we move towards the next phase of the COVID-19 crisis in many countries, governments have a unique chance for a green and inclusive recovery that they must seize. Stimulus packages need to be aligned with ambitious policies to tackle climate change and social exclusion. Only such an approach can deliver win-win-win policies for people, planet and prosperity,



We want to thank you for your attention to these points. Your stance and vision are crucial to the health of the European social enterprise sector, enabling improved impact of sustainable solutions to global challenges. We stand ready to work alongside you to further advance these priorities.

Your sincerely,

Suzanne Wisse-Huiskes

About Euclid Network

For more than a decade now, Euclid Network has been acting for a more inclusive growth, using European cooperation as a means to address society's most pressing challenges. Working with social entrepreneurs, social enterprises and their incubators and support organisations, we shape the future of the European socio-economic fabric. Our mission is to reach a global reality where businesses' decisions no longer rely solely on profit generation, but are based on the social and environmental impact their services have on communities

We envision a world in which the social and solidarity economy is the standard, rather than the exception. Everything we do with our members and partners stems from this vision. The projects, advocacy initiatives and partnerships we undertake are focused on developing and growing a diverse and collaborative network of social impact practitioners that contributes to all seventeen of the United Nations Sustainable Development Goals (SDGs)