

**CONFERENCE : "PROMOTING SOCIAL ENTREPRENEURSHIP IN EUROPE"  
BRUSSELS, FRIDAY 18 NOVEMBER 2011  
SPEECH OF MS NADIA CALVIÑO**

**I. INTRODUCTION**

The top priority of our work at the European Commission is to record the path to sustainable and inclusive growth. An economic model that does not leave anyone behind and where the financial sector and companies also play the role they should in society.

Also a more resilient society able to cope with shocks such as the current crisis.

That is why we are implementing a very ambitious legislative programme to regulate financial services, we are working on a number of initiatives to deepen the internal market, we are preparing an action plan targeted to SMEs (including the venture capital initiative that Minister Sohn referred to) and we are pursuing a number of actions to foster social business. In our view, the growth potential of the social business model in the single market is not being exploited fully. This kind of companies faces the same challenges as SMEs but they have on top three main specificities that hinder their growth:

- 1) Lack of access to financing due to the
  - a. Absence of clear indicators/criteria that allow to measure their social impact. The positive externalities that these companies generate are not integrated into the decision-making models of investors and so investment is below the socially optimal level.
  - b. Absence of a clear business model, thus leading to the perception that these are particularly risky investments.
- 2) Lack of a visibility linked to the fact that these are generally small companies, that there is no mapping of these kinds of businesses and not even a common definition of what we are talking about.
- 3) Lack of appropriate legal environment for this kind of businesses.

**II. FINANCING**

With regard to access to financing, social businesses have traditionally been funded by charity or public funds. These sources are clearly not enough and may even become less available in the current environment of budgetary constraints. There is a funding gap that needs to be filled.

That is why the Commission is pursuing a number of initiatives. Let me mention some:

We are working in the establishment of an EU regulatory framework for social investment funds. The idea is to provide a third pillar of financing that would channel private resources to private businesses.

The EU asset management industry manages 8000 bl in assets, so if we channel a small part, this can make a big difference. Other features which make this field attractive are the cross border nature of these funds, their experience and knowledge and their potential impact in improving the effectiveness of the companies where they invest.

Since the existing EU models for fund management may not be appropriate for these kinds of investments, we launched a public consultation which confirmed the great interest by stakeholders in this area but we also received warnings that this is a nascent market and we should act carefully so as not to limit potentially interesting models.

There are two clear areas where EU action could provide value added: Enhancing and facilitating the cross border marketing of these funds.

Our current work is concentrating in these two areas:

- 1) Facilitate cross border marketing to professional investors by means of EU passport.
- 2) Facilitate transparency and recognition through the creation of European Social Investment Fund Label.
- 3) Providing a clear legal framework for this kind of investments and facilitating measurement of the social benefit.

All this based on clear definition of social business based on four requirements

1. Primary objective social impact and not profit for stakeholders.
2. Production of goods and services in an entrepreneurial innovative way.
3. Use surplus for reinvestment in social actions and not dividend distribution.
4. Managed by social entrepreneurs' in an accountable and transparent way – involving workers/customers/stakeholders.

### **III. OTHER ACTIONS**

In order to complement the existing charity and public financing, we need to exploit the Synergies public/private and National/European.

The Commission will set a specific financial instrument within the programme for change and social innovation of 90 million €

Secondly the Commission has supported the development of microcredit with specific programmes that can be leveraged to provide this kind of financing. This is a very specific world where there are broad differences between member states (more social dimension/innovation). It is important to reinforce transparency about the social impact, to reflect on how to supervise there, whether or not there should be limits or restrictions in their activities or the interest rate they charge, etc.

We also need to reflect as whether the European level is the most appropriate to regulate these activities. To discuss all that we have organized in a seminar on December 2<sup>nd</sup> to explore possible actions.

Thirdly, going beyond access to financing, we are also acting with regard to the two other areas, increase of visibility and improvement of the legal environment. In the latter, let me just mention the upcoming Proposal for a European Foundation Statute which we intent to put forward before end of the year.

### **IV. CLOSING**

We are working on a number of initiatives to promote social entrepreneurship in Europe. This all reflects the importance that we attach to the social dimension. As Commissioner Barnier said this morning, we are not here only to regulate banks but also to support possible initiatives that contribute to stable/inclusive growth.

This conference shows that this is a shared agenda and this is a very strong encouragement for our work.