

DG Olivier Guersent
European Commission
Directorate General for Competition
B-1049 Brussels
Belgium

15.11.2024

Strengthening of social enterprises within the State Aid framework

Dear Director-General,

In times of profound societal, ecological, technological and geopolitical change, social economy enterprises and social innovation make an important contribution to a necessary transition that is making our states, our economies and our societies more just, sustainable and resilient.

The social economy sector counts some 4.3 million entities across the EU employing more than 14 million workers and representing 8% of total EU GDP, according to the Social Economy Action Plan.

In some cases, social economy entities, including social enterprises (SEs),¹ lack the framework that would allow them to thrive to the benefit of the social and green transition.

Against this background, we vigorously support an ambitious implementation of the European Commission's Action Plan for the Social Economy and, in particular, its call to adjust European State aid rules to accommodate the needs of social enterprises.

The next revision of the GBER is an important opportunity for improving the legal framework for supporting social enterprises and for eliminating unfavorable treatment of these. This joint letter is intended to draw DG Competition's intention to social enterprises at an early point in the future work on the revision.

¹ Definition based on art. 2 para.13 Regulation (EU) No 1296/2013 establishing the European Social Fund which includes three objective criteria related to the achievement of measurable social impacts, rules of profit distribution and a democratic management.

Various studies point out a significant funding gap for social enterprises across Europe² which hinders their development. Indeed, we believe social enterprises, provided they are rigorously defined, have a specific development model based on limited profitability which in turn leads to difficulties in access to financing throughout their lifespan. In this sense, social enterprises can be distinguished from traditional SMEs and should be able to benefit from specific support throughout their development and beyond their startup phase.

For those reasons, following the conclusions of the recent study led by the Commission on State aid and access to finance for social enterprises,³ we believe it would be relevant to exempt social enterprises from the eligibility age caps mentioned in article 21 and 22 of the GBER, provided a sufficiently precise definition of social enterprise funds is given.⁴

We also think that the specific situation of social enterprises shall be urgently taken into account in the work to revise the definition of ‘undertaking in difficulties’ of the Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty, which should be undertaken as soon as possible in view of the expiration of these Guidelines on 31 December 2025. In our consultations with stakeholders, we have been hearing for a long time that the current definition and its interpretation by the Commission do not reflect the realities of modern business, resulting in companies being classed as ‘undertakings in difficulty’ without an economic basis for this.

A similar problem concerns work integration social enterprises which, since in many cases have more than 250 workers, are treated as large companies, but do not have the turnover of this type of company. In this sense, taking into consideration their public utility, as their mission is to create as many jobs as possible for individual at risk of social exclusion, they should also benefit from special funding rules.

² The DG Empl study “Social enterprise finance market Analysis and recommendations for delivery options” (2018) evaluates the amount of the funding gap in debt and equity between €514 million to €1.388 billion per year, and the latest study “Study on State aid for access to finance for social enterprises and for the recruitment of disadvantaged workers in the form of wage subsidies”, European Commission (march 2024) points out an average market failure for social enterprises of 40% of their funding and an average financing gap per SE between EUR 100 000 and 500 000.

³ „Study on State aid for access to finance for social enterprises and for the recruitment of disadvantaged workers in the form of wage subsidies”, op.cit. fn. 2

⁴ Such definition could be inspired by the one given in the REGULATION (EU) No 346/2013 on European Social entrepreneurship Funds (art.3 mentioning “qualifying portfolio undertaking”).

In this respect, the GBER exemption categories appear unsuited for work integration social enterprises, thereby limiting their access to aids that are essential for supporting their social mission. On the one hand, the restrictive definition of "disadvantaged worker" fails to capture the diversity of individuals in employment integration pathways. An expanded definition of vulnerable workers would therefore help ensure adequate support. On the other hand, the limitation of aid to 50% of eligible costs prevents work integration social enterprises from receiving funding in line with their needs. Finally, the duration of support, currently limited to 12 months for disadvantaged workers and 24 months for severely disadvantaged workers, does not correspond to the often longer-term needs of integration pathways. Adapting these provisions would better support work integration social enterprises in their core mission of social and professional integration of the most vulnerable individuals. These proposals are supported by the recommendations identified by the Commission on State aid and access to finance for social enterprises,⁵ which advocate for the expansion of the definition of "disadvantaged workers", an increase in aid intensity, as well as the need to extend the eligibility period for social enterprises.

We would be most grateful if the Commission could give this point special attention in the course of the upcoming revision and give the social economy, in particular, better access to financing in this way.

Yours sincerely,

Sven Giegold, State Secretary in the Ministry for Economic Affairs and Climate Action

Marie-Agnès Poussier-Winsback, Minister Delegate for the Social and Solidarity Economy, Incentives and Profit-sharing

María Amparo Merino Segovia, Secretary of State for Social Economy

Yves Coppieters Walloon, Minister of Health, Environment, Solidarity and Social Economy

⁵ „Study on State aid for access to finance for social enterprises and for the recruitment of disadvantaged workers in the form of wage subsidies”, op cit. fn. 2,3.