

## European Structural & Investment Funds 2014-2020

This response is submitted on behalf of:

- **Social Firms Scotland** - (SFS) is the national support agency for Social Firms. Its purpose is to grow the Social Firm sector to support job creation for people who are disadvantaged in the labour market.
- **Senscot** - the national network for social entrepreneurs in Scotland. It *connects and informs social entrepreneurs; facilitates 20 local and thematic Social Enterprise Networks (SENs); and Develops the Sector.*

### 1. Introductory Comments

We remain concerned that support for **social enterprises and the social economy**, which is identified as an investment priority for the Structural Funds in the 2014-20 period at EU level, is a glaring omission within the consultation document.

As we highlighted in our response to the first consultation on the new programme –

Under the **Inclusive Growth** heading and common thematic objective of ***promoting social inclusion, local development and combating poverty*** the subsequent draft regulations include an investment priority on support for social enterprises in ERDF and promoting the social economy and social enterprises in ESF. We had hoped that this might be reflected across the proposed Scottish thematic areas.

The draft ESF Regulation contains a new investment priority specifically dedicated to **‘Promoting the social economy and social enterprises’**. It creates the ground for Member States to include **targeted activities in this area** in their operational programmes for 2014-2020. These are expected to consist mostly of support for business development or business transformation of social enterprises; support for social enterprises’ access to finance, including through financial instruments providing support through repayable investments; and raising awareness of the sector. At the same time, we would hope that social enterprises would also have the opportunity to take part in ESF co-funded interventions in various policy areas. In this way, they can add to the implementation capacity of the public sector. For example, third-sector undertakings are well placed to provide tailor-made labour market reintegration or rehabilitation services, as part of active labour market policies; or early childhood education and care services for children with a minority or migrant background.

## 2. Fit with Europe 2020 and Scottish Government's Economic Strategy

Developing a comprehensive support environment for the creation and growth of social enterprise is a key plank of the Scottish Government's Economic Strategy, service reform programme and in particular the shift towards prevention.

Social enterprise already delivers across the themed areas and we would expect the existing Scottish Govt support and investment measures for social enterprises to be enhanced by EU funds for example: **opening markets for enterprising third sector organisations, public social partnerships, support infrastructure and investment for growth & sustainability of the sector.**

Encouraging social enterprise development, new markets and competitiveness as well as addressing social inclusion and work integration issues will enable social enterprises to make a larger contribution to the realisation of Scotland's Operational Programmes across the funds. However, if social enterprise and the social economy are not explicitly important at a strategic level then this will limit the potential for front line social enterprises as delivery agents – particularly within the inclusion, local development and combating poverty strand.

Social enterprises create jobs and economic activity, in a socially inclusive manner, and provide high-quality social welfare services - and Social Firms in particular, are an effective tool for the work integration of disadvantaged groups at risk of social exclusion.

## 3. Specific Comments on Table 5

Regarding table 5 in the consultation document, we broadly welcome the proposals outlined under the EU 2020 headings – Smart, Sustainable, Inclusive, however, further exploration and explanation is required around how the themes will **impact** upon economic recovery and sustainable Scottish solutions to the objectives of Europe 2020. Underpinning the strategic priorities, thematic areas and specific interventions, we would like to see more explicit mention of the importance of **social entrepreneurship, social enterprises and the social economy especially**

In addition, to address the current and future challenges that Scotland faces, we recommend that **community-led local development** (CLLD) is integral to the new programme. CLLD is a tool for involving citizens at local level in developing responses to the social, environmental and economic challenges of their respective areas and the Commission's guidance document - [Community Led Local Development](#) further gives a sound rationale for including this approach within structural funds programmes and delivery approaches.

### Encouraging Innovation

The issue of innovation is particularly sensitive when dealing with the implementation of the ESI funds, and deserves to be clarified. In the "Innovation Union" initiative, one of the Europe 2020 initiatives, the EU supports "the creation of an innovation-friendly environment that makes it easier for great ideas to be turned into products and services that will bring our economy growth and jobs".

The European Social Fund has made significant investments in social innovation. For example, in the period 2000-2006, the ESF EQUAL programme invested € 3.2 billion in innovative projects across the Union.

Many strong and successful EQUAL Development Partnerships operated in Scotland to design, test and validate innovative solutions to integrating people with disadvantages into the labour market and developing the social economy. EQUAL succeeded in demonstrating the added value that innovation brings to the design and delivery of inclusive labour markets, and improved the conditions for generating a significant number of innovations.

The EQUAL experience built the initial case to show that innovative approaches are a cost effective and sustainable way of introducing change and impacting on policy. As a result, a consensus emerged that promoting innovation should be an integral part of all Operational Programmes. Without explicit measures to encourage **innovation** within the funds, we would expect less impact on Europe 2020 goals as well as the Scottish priorities across the OPs.

#### **4. Governance, representation and decision-making**

**Lead partner selection, role and status?** The role of the lead partner within the SDP structure proposed is still unclear. This requires clarification.

**Decision making across the SDPs on funding allocations, selection of delivery agents and distribution of funds** – Partnerships need to reflect a better balance between public, private and third sector partners.

This is in line with current developments in Scotland around a co-production/ co-planning approach to the design and delivery of public services.

Will the funding priorities be selected/ distributed through a commissioning, procurement and /or competitive grant arrangement? Will the decision around the latter in terms of funding priorities be made at SDP level or PAMC level? We would recommend that this is further explored and clarified in terms of consistency of approach and transparency (whilst building in scope for flexibility depending on thematic, sectoral or geographic circumstances).

Greater transparency regarding how decisions will be made across the funds, how projects/operations will be selected and indeed how delivery agents will be selected requires further exploration and clarification.

We would recommend that consideration is given to the Development Partnership model adopted with great success under the EU EQUAL programme in Scotland which was inclusive, empowering, encouraged innovation and reduced bureaucracy through a strong lead partner role. This model was effective in engaging a range of small, specialist social economy organisations in the delivery of EU funding programme objectives.

## Technical Assistance

We would like the new programme agreement to acknowledge that a significant role in delivery by social economy organisations will require access and opportunities to the technical assistance monies available.

For example, the Guidance document on CLLD for the period 2014-2020 stresses the importance of local communities gaining ownership of the objectives of the 2020 strategy. The process of developing proper community-led local development programmes requires *“time and effort, but for relatively small financial investments, it can have a marked impact on people’s lives and generate new ideas and the shared commitment for putting them into practice”*. This quotation might well refer to the definition of programmes for the promotion of social enterprise, in as far as they are to be looked at as a means to pursue the Europe 2020 objectives, as is also stated in the Social Business Initiative.

## 5. Concluding Remarks

### Local Development & Social Inclusion

We note with disappointment that a number of interventions in the above theme are reported to be unclear and underdeveloped. Both Social Firms Scotland and Senscot have been actively seeking to engage and support a number of proposals within this field - in consultation with other social enterprise intermediaries and social enterprises on the ground. We have been disappointed in the lack of follow up and communication.

During the consultation period, there has been a lack of transparency, leadership and clear process as to how and when the third sector has had sufficient opportunity at a strategic level to input and inform strategic level proposals and interventions.

We remain open and hopeful that social enterprise and the social economy will be recognised at a strategic and delivery level within the Scottish Partnership Agreement and the new programme, as a key sector in the delivery of Europe 2020 and in particular enhancing the sector’s impact on the Scottish economy and communities.

### Key Contacts:

Pauline Graham

CEO, Social Firms Scotland

[pauline.graham@socialfirms.org.uk](mailto:pauline.graham@socialfirms.org.uk)

Kim Wallace

Networks and Development Manager

[kim@senscot.net](mailto:kim@senscot.net)