



## Balance of Competences Review

### Euclid Network contribution

1<sup>st</sup> of March 2013

## Executive Summary

[Euclid Network](#) (EN) is the pan-European community of civil society leaders and social entrepreneurs.

Euclid Network has made a submission to BIS and the Cabinet Office about how civil society can contribute more to the Single Market and that is attached for information.

The Network has experience of EU external affairs and development in candidate states, the Eastern bloc and around the Mediterranean.

The community we facilitate is built around more than 5000 individuals from across 30 countries that share a body of knowledge and experience.

Euclid is strategic partner of the Cabinet Office and DG Communication.

Our focus is the impact economy: social innovation, social enterprise and building capacity in civil society. The impact economy approach is typically welcomed by government because it fosters local development and employment and is not attached to any political agenda (although social enterprise educates people to democratic values and human rights).

The impact economy is not well understood, even in parts of the EU. As such, its potential needs to be broadcasted and must feature even more prominently in external policy.

Parallel competences on external affairs and development reflect the shared goal of the EU, collectively and for each single member states, to export their vision of freedom with prosperity. But policy levers and funding sources should be aligned to get better outcomes.

How the effect of parallel competences is experienced 'on the ground', is something on which civil society in a region is well placed to give views. But this depends on civil society having the capacity to organise and contribute. Just as important is the need for civil society's views to be recognised as central to assessing impact. Impact assessment is an evolving discipline. Euclid's adviser on social investment Karl Richter is developing an *implied impact index*.

Diverse sources of funding for civil society are opportunities, be they from national governments, the EU, international organisations or philanthropists. The bureaucracy varies, but often it is disproportionate for small organisations.

Transparency, effectiveness, efficiency and value for money are key principles.

Call for evidence: questions

Impact on the national interest

1. What are the comparative advantages or disadvantages in these areas of the UK working through the EU, rather than working independently or through other international organisations?

Policy making and implementation through parallel competences

2. What is the impact of the current system of parallel competences on policy making and implementation in these areas, especially in terms of:

- a) efficiency, effectiveness and value for money;
- b) transparency (including checks against fraud and corruption); and
- c) working with other international partner organisations ( e.g. UN, World Bank etc.)?

The UK and the EU could get ‘more bang for their buck’ by good alignment of policy levers. Euclid Network’s focus here is on:

- Boosting the profile of the impact economy
- Impact assessment
- Making it easier for civil society organisations (CSOs) to access and account for funds and so deliver more, by increasing transparency, efficiency, effectiveness and value for money
- Building capacity for CSOs

Relationships between development cooperation/humanitarian aid and other policy areas

3. How far do EU development policies complement and reinforce policies in areas such as trade, security, stability, human rights, environment, climate change etc., and viceversa?

*Boosting the profile of the impact economy*

The European Commission is implementing visionary policies to help civil society organisations to raise their own funding and to shape local solutions which meet people's needs for jobs and services, whilst having a social impact.

Social entrepreneurship is at the heart of the EU's economic strategy 2014-2020 and several DGs have already endorsed this theme, mainstreaming it through funding and policies. The Entrepreneurship 2020 Action Plan<sup>1</sup> (DG Enterprise and Industry) points out for the first time the importance for EU industrial policies of considering the needs and peculiarities of social entrepreneurship.

Yet it is hard for social enterprises in the EU to operate in the current climate; harder still for those based outside the EU. The social innovation agenda needs to read across EU enlargement and aid policies. Does it have a profile in UK policy on neighbourhood countries and international aid?

Economic growth and employment are priorities for European Neighbourhood countries. We believe that by streamlining social business and social innovation in external policy, the Commission would not only create those conditions but also improve the reputation of civil society in the same countries and therefore increase their participation in the national policy process.

Inclusion of Social Innovation and Social Business could also help to strengthen Europe's external relations outside of its neighbourhood. This could help the UK. Pakistan provides an appropriate example – here, UK and American aid are contentious and the EU is a rather quiet actor. It suffers from run down key services including education, health, and sanitation systems, brought about to a great extent through a crisis of governance. Civil Society has begun to fill the gaps left by the lack of services, often using citizens' entrepreneurial creativity, as in the case of Naya Jeevan<sup>2</sup> - a social enterprise providing insurance for low-paid workers. Pakistani Poverty Alleviation Fund (PPAF)<sup>3</sup> is another successful example of impact economy in the country as deemed by World Bank. But there is potential for much more. Promoting new approaches and social businesses could open a new way to foster democratic and economic development in third world countries.

This new approach would encourage the EU to take a more prominent role in regions where state to state politics are strained and where the EU is not yet actively present.

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<sup>1</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2012:0795:FIN:en:PDF>

<sup>2</sup> <http://www.njfk.org/> : NAYA JEEVAN is a not-for-profit social enterprise that is dedicated to rejuvenating the lives of low-income families throughout the emerging world by providing them with affordable access to quality, catastrophic healthcare.

<sup>3</sup> <http://www.ppaf.org.pk/>

Euclid would also like to see policy relating to social innovation, social enterprise and social investment given a boost in Whitehall across several departments, although we are aware of some current initiatives<sup>4</sup>.

EN would recommend ensuring consistency across three levels:

- within Whitehall (across different departments)
- within the Commission (across different DGs)
- between the Commission and Whitehall

Concretely, this would extend the social innovation agenda and the social business initiative to EU Aid policies (from DG DEVCO) and to the UK Aid policies (implemented by FCO and DFID)

In this regard, on Friday 15th February, Euclid Network sent a letter to Commissioner Štefan Füle, European Commissioner for Enlargement and Neighbourhood Policy, on the subject of the omission of the social business and social innovation agenda from the European Union's enlargement policy<sup>5</sup>.

### Future options and challenges

4. Bearing in mind the UK's policy objectives and international commitments, how might the UK benefit from the EU taking more or less action in these areas, or from more action being taken at the regional, national or international (e.g. UN, OECD, G20) level—either in addition or as an alternative to action at EU level?

EN would like to focus on some principles which are key for CSOs, whichever government or transnational organisation is leading.

### Impact assessment

One of the hottest topics of the moment is social impact assessment. By demonstrating the impact of the investment (in any form), it becomes possible to engage the attention of the institution on (further) action and attract more funding. Therefore, Euclid would advocate a shift from an output-oriented perspective to an impact-focused one. We welcome the progress that has been made in this direction

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<sup>4</sup> In example, see "Funding for EU research and Innovation from 2014", Department for Business Innovation & Skills (BIS), [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/32484/11-901-funding-eu-research-innovation-from-2014.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/32484/11-901-funding-eu-research-innovation-from-2014.pdf) , May 2011

<sup>5</sup> <http://euclidnetwork.eu/news-and-events/sector-news/968-letter-to-commissioner-fule-re-inclusion-of-social-business-and-social-innovation-in-the-unions-enlargement-policy.html>

recently both from Whitehall department and from the EU, but EN would encourage a more systemic approach.

In this vein, Engaged Investment<sup>6</sup> has launched a pilot to test the creation of the world's first investment index for the growing emerging market of social investment ('impact investing', as it is called globally). This is an important next step forward towards creating the infrastructure needed for the global expansion of social finance.

We appreciate that this is difficult to apply in complex contexts such as fragile states, due to the challenging environment and to the lack of data. However, this is a fundamental step to make in order to reposition development policies, showing the "difference" that has been made.

We understand that the UK is already going in this direction and in most of the funding application there is more and more emphasis on outcomes rather than outputs. The UK is well placed to influence EU policy and practice, and encourage the EU, as the largest multilateral donor in the world<sup>7</sup>, to integrate outcome measures into the Commission's modus operandi.

#### *Transparency, efficiency, effectiveness and value for money*

EN is committed to increasing transparency, effectiveness and efficiency, cutting red tape for civil society organisations in order to make funding more accessible. This aims to help civil society organisations to become more sustainable and show value for money to EU citizens. Since 2008, EN has been advocating for these principles to be included in the Financial Regulation (the regulation that covers all the EU funding), together with the Civil Society Working Group on EU financial support within the Structured Dialogue Group (hosted by DG Communication). In addition, it has worked with more than 70 umbrella groups from across Europe (including CONCORD) in order to achieve the change. You can find the policy briefing "Better return on Investment: make it better for civil society, better for Europe" drafted for the campaign [here](#). Some of the main achievements were:

- Recognition of VAT as an eligible cost
- Simplification of administrative procedures for low value grants (the threshold has increased from 10000€ to 60000€)
- Allowing contribution in kind and volunteering as co-financing for low value grants
- Allowing surplus as reserves for certain grants

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<sup>6</sup> [http://www.engagedinvestment.com/press-release\\_worlds-first-financial-index-for-impact-investing-unveiled.html](http://www.engagedinvestment.com/press-release_worlds-first-financial-index-for-impact-investing-unveiled.html)

<sup>7</sup> The EU spent €11.3 billion on aid in 2011.

- Setting time limits for the funding process

More information about the campaign is available here:

<http://euclidnetwork.eu/projects/policy-and-advocacy-work/reform-of-european-funding.html> ) .

EN is also committed to focusing on those principles in the Practical Guidelines (PRAGs), the guidelines that apply to all the external funding of the EU.

(<http://euclidnetwork.eu/projects/policy-and-advocacy-work/making-the-practical-guide-work-for-civil-society.html>)

Transparency, efficiency, effectiveness and value for money are principles which are key for the British Government and we would encourage DFID and FCO to look at the work on the Financial Regulation to see whether aspects can be introduced into UK practice. Greater alignment of practice that enables CSOs to deliver more would be appreciated.

### *Building capacity for CSOs*

In order to strengthen the capacity of CSOs, a mixture of theory and practice is the most efficient solution. This means that formal training needs to be combined with new approaches such as peer-to-peer practices, exchanges and pilots.

The training should be based on specific needs of civil society organisations in the region/country (i.e. financial sustainability; advocacy & policy; successful dialogue with government).

Furthermore, technical assistance programmes, such as TACSO (Technical Assistance for Civil Society Organisations), operating in the Western Balkans and Turkey should be connected to grassroots organisations in order to increase outreach and impact.

The training should be followed by engaging in projects that pilot new context-dependent approaches (for example social enterprise competitions, social finance simulations and so forth) and methodologies such as peer-to-peer approaches that can include reciprocal exchanges (see: <http://euclidnetwork.eu/projects/completed-projects/making-networks-work/success-story.html>). EN is leading on the Erasmus for Young Entrepreneurs programme, which is a successful example of an exchange programme where young social entrepreneurs job-shadow experienced entrepreneurs (<http://www.erasmus-entrepreneurs.eu/>). Such a programme could be adapted for CSOs or for other regions to strengthen capacity and encourage start-ups. EN's project 'Leader twinning: Active citizens in the driving seat' used the peer-to-peer methodology and was selected by the EC as one of the best projects funded by them in 2007-2013 (<http://euclidnetwork.eu/projects/completed-projects/leader-twinning-active-citizens-in-the-driving-seat.html>).

5. Are there ways in which the EU could use its existing competence in these areas differently, or in which the competence could be divided differently, that would improve policy making and implementation, especially in terms of:

a)efficiency, effectiveness and value for money;

b)transparency (including checks against fraud and corruption); and

c)working with other international partner organisations (e.g. UN, World Bank etc.)?

6. What future challenges or opportunities might the UK face in the areas of development cooperation and humanitarian aid, and what impact might these have on questions of competence and the national interest?

### General

7. Are there any general points on competence you wish to make which are not captured above?