

## **State aid – review of rules on exemptions for small amounts of aid to services of general economic interest**

Confederazione Cooperative Italiane, Confcooperative, is the main organisation representing the Italian cooperatives' movement and social enterprises in terms of number of enterprises (17,000), people employed (529,000) and turnover achieved (81 billion euro turnover). More than 3.1 million members are represented.

In 2011 Confcooperative promoted the creation of the Alliance of Italian Cooperatives.

Confcooperative pays great attention to developing relations with cooperatives organizations in other countries. It also promotes the growth of cooperatives in developing countries.

It is associated with the International Cooperative Alliance, Cooperatives Europe, CECOP, Social Economy Europe and various other sectoral and representative bodies.

### **❖ INTRODUCTION**

Confcooperative welcomes the European Commission's proposal to increase the maximum ceiling of de minimis State aids that can be granted to companies performing services of general economic interest (SGEI) in order to reflect the impact of inflation.

However, we believe that the amendment of Regulation n. 360/2012 should be seized as an opportunity to go beyond simply adjusting the current ceiling to inflationary pressure, allowing for more effective additional support in favour of SGEI providers.

**While welcoming the increase in the three-year de minimis ceiling proposed by the Commission, Confcooperative believes that the proposed threshold of EUR 650,000 over three financial years could be further raised.**

Such a threshold is indeed not adequate to the needs of covering the operational costs of SGEIs at the local level, especially with regard to health and social services, and does not reflect current costs and economic conditions.

Confcooperative therefore believes that the current and newly proposed threshold is not in line with the importance that the EU generally devoted to SGEIs in its commitment to ensuring greater levels of cohesion and social inclusion for European citizens across the EU.

### **❖ CONSIDERATIONS**

Confcooperative believes that de minimis State aids are important tools for Member States to support cooperatives, which are important providers of SGEI. Cooperatives, in fact, play a key role in providing local communities with quality waste management, transportation, energy distribution, as well as social and health services at affordable prices. Such services are, by their very nature, conducted following the subsidiarity principle and do not impact competition and trade across States borders on the demand side and, in most cases, not even on the supply side.

With the proposed revision at hand, the de minimis Regulation on SGEI State aids n. 360/2012 does not match the ambitions of previous EU initiatives, such as the *European Assistance Strategy* and the *Social Economy Action Plan*, by allowing a string and adequate support through de minimis State Aid to companies providing services of general economic interest.

To this end, **we therefore reiterate the need for the de minimis State aid ceiling to be raised further than the threshold proposed by the European Commission**, taking into account that companies engaged in providing SGEIs in the field of health and social services are often on the front line in dealing with health, economic and social crises.

A further enhanced de minimis threshold would therefore give Member States more room of manoeuvre to address new challenges crucial for social cohesion at local level. The need to increase the threshold has already been pointed out by several stakeholders and seems actually appropriate and very much needed after more than 10 years from the approval of Regulation n. 360/2012.

In any case, the exempted amounts should be reviewed in the light of past and expected inflation 2013-2030, as it has been done with regard to the proposed adjustment of the ordinary de minimis threshold, duly considering the intensity of the very high inflationary pressure experienced in the last two years.

The European Parliament recently urged "national, regional and local authorities to make better use of the potential of the current rules on specific provisions for services of general economic interest (SGEI) to access public financial support under the EU state aid regulation, not least by exploiting the possibility to recognise social economy entities carrying out an economic activity as an SGEI, where relevant". The EP request is in line with the European Commission's invitation "to the Member States to make better use of their margin of discretion in defining an SGEI, where appropriate, in order to allow for the coverage of qualified activities carried out by social enterprises", as stated in the SEAP.

In this regard, we call for further clarification of the definition of "**reasonable profit margin**" rooted in Regulation n. 360/2012, in line with the EESC opinion INT/1016 titled "Public subsidies/health and social services of general economic interest".

In defining the concept of "reasonable profit margin", the EESC emphasises that the characteristics of the interested enterprises should be duly appreciated, in particular when such companies continue to reinvest profits in their own activities and qualify as social economy entity or enterprise.

The definition should make a distinction in favour of social economy enterprises, which are required to reinvest the economic margins generated in their statutory activities. To this end, **we call for a higher threshold for entities that, according to their statutes and the law, are obliged to reinvest the revenues generated in a manner appropriate to the social objective they pursue, as in the case of cooperatives.**

Confcooperative also suggests launching accompanying and advisory measures to support public authorities in the application of the SGEI framework at national and local level, so as to fully exploit the potential inherent in this framework which is enshrined in Protocol 26 of the TEU.

Indeed, the SEAP notes that "public authorities do not make full use of the existing possibilities to facilitate social enterprises' access to public procurement or funding, nor of the flexibility offered by the current EU

State aids rules. Due to the fact they are not sufficiently understood and recognised, social economy entities find it difficult to develop and scale up their activities and, as a result, are held back from triggering an even greater economic and social impact. They need more and better support to grow and prosper'. The European Commission adds that 'public authorities often unnecessarily limit the amount of aid granted to social enterprises to the general de minimis threshold (EUR 200,000 over a three-year period) and do not consider other possibilities that would be in line with state aid rules as SGEI's rules(...)".

In line with this approach, it is worth mentioning that the EESC recently pointed out that 'national authorities are less familiar with the specific SGEI rules, both public procurement and State aid, than with the corresponding ordinary public procurement and State aid rules. Appropriate investments in the training of public administration staff, partly drawing on European resources, could therefore be useful to improve the level of these services and to ensure greater compliance with EU law".