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**CECOP's contribution to the European Commission's call for evidence on the EU's
next long-term budget (MFF) – EU funding for competitiveness**

CECOP, the European Confederation of Industrial and Service Cooperatives, welcomes the opportunity to provide feedback to the European Commission on the Regulation establishing the European Competitiveness Fund (ECF), under the post-2027 Multiannual Financial Framework (MFF). CECOP represents approximately 43,000 cooperatives across Europe, being mainly worker cooperatives, social cooperatives and cooperatives of autonomous workers¹. In turn they employ over 1.3 million people. These are democratically owned and managed enterprises that contribute to sustainable and inclusive growth by combining economic performance with social progress.

The industrial and service cooperatives represented by CECOP belong to the wider social economy family. As the [Council Recommendation on developing social economy framework conditions](#) states, social economy enterprises “share the common principles of reinvesting all or most of their profits to pursue their social or environmental purposes and practicing democratic or participatory governance”. Cooperatives are collectively owned and democratically managed by their members, and the profits generated are reinvested in the cooperative. Worker and social cooperatives provide quality, inclusive employment opportunities, affordable and accessible services, particularly for vulnerable populations and in disadvantaged areas. A considerable number of social cooperatives have as core mission the work integration of disadvantaged workers.

Cooperatives also play an important role in industry, particularly in decarbonisation, innovation, and reindustrialisation. In terms of environmental sustainability, cooperatives are guided by the [seven cooperative principles](#) and values including environmental consciousness. Due to industrial and service cooperatives' commitment to circularity, they constantly innovate both in terms of technological development and cooperation with public or private partners. Furthermore, as cooperatives are deeply embedded in the local economy and are accountable to the community, they are committed to the sustainable development of their environment and local community. In terms of reindustrialisation, the cooperative model often saves businesses from closing or relocating via workers buyouts, i.e., business transfers to the employees under the cooperative model².

¹ Worker cooperative are democratically managed enterprises owned by the workers, with the aim to create and maintain sustainable jobs, improve the quality of life of the worker-members. Social cooperatives may focus on providing social services, particularly in areas where public authorities are unable to do so or contributing to the work integration of disadvantaged and marginalised people; they can be worker-owned or characterised by the multistakeholder governance. Cooperatives of autonomous workers (freelancers, self-employed) allow peers to mutualise risks and costs and combine autonomy with flexibility and security.

² More information: CECOP. 2023. Report from CECOP's conference – Workers Buyouts – what is the cooperative key to success? https://www.cecop.coop/uploads/file/CECOP_WBO_report.pdf

Best practices

[Mondragon](#) (Spain): The Mondragon group is one of the largest corporations in Spain, consisting of 81 separate, self-governing cooperatives, which are active in various sectors, such as transport manufacturing, home solutions, construction, or packaging. Embedding sustainability and innovation, Mondragon's history began in 1955 with the foundation of an industrial cooperative. Today, the Mondragon group operates across the globe with production plants and sales offices in over 150 countries.

[SACMI](#) (Italy): Founded in 1919 in Italy, today the SACMI Group employs over 5,000 people and operates globally with over 70 production, distribution and service companies across 25 countries. It is recognised as an international leader in industrial plant engineering, focusing on the supply of advanced technologies for various sectors, including ceramics, plastics, food & beverage, metals, packaging and advanced materials. Since the mid-2000s, SACMI also focuses on developing production processes that are more sustainable and less energy intensive.

Besides deindustrialization, the EU is also facing social challenges, including Europe's aging society, growing inequalities, labour and skills shortages, which the proposal for the Regulation must take into account. As Mario Draghi stated in his report, '[The Future of European Competitiveness](#)', "A European approach must ensure that productivity growth and social inclusion go hand-in-hand". He astutely pointed out that in order to increase our competitiveness, we must also preserve "our values of equity and social inclusion", while growing our productivity. However, the proposal for the next MFF does not heed his call, placing less emphasis on the social dimension than in the past and than is necessary within the current socioeconomic context.

To ensure that people are not left behind as the EU increases its competitiveness and that industrial and service cooperatives' contributions are duly recognised, CECOP calls on the Commission to consider the below recommendations:

1. Recognise cooperatives under the EU Preference (Art. 10)

Cooperatives are deeply embedded in the local community. They not only ensure that production is done in Europe and that the local community benefits from quality jobs and services provided by the cooperative, but because of their inner characteristics requiring to reinvest the surpluses in the enterprise, they also guarantee that the value created remains in the community, in Europe. When accessing the European Competitiveness Fund, the award procedure should therefore provide preferential conditions and incentives to the enterprises that embody the EU Preference criteria. To this end, **Article 10 of the Regulation should recognise cooperatives as key partners in ensuring EU Preference.**

2. Explicitly integrate the social economy in the Regulation

Industrial and service cooperatives are resilient enterprises, stemming from their business model that guarantees democratic governance, and their [principles](#), such as concern for the

community (Principle 7). They have proved their resilience throughout the crises of the 2008 global financial crash and the COVID-19 pandemic. Their unique model is characterised by long-term sustainability, social inclusion and environmental consciousness. But more than that, cooperatives are innovative enterprises. While many cooperatives operate in innovative technological/digital sectors, innovation also lies in their governance model, which should be duly taken into account when the European Commission discusses innovation. Responding to the changing world of work, the cooperative model recently gave rise to platform cooperatives, multistakeholder cooperatives, energy community cooperatives, cooperatives of autonomous workers or freelancers, etc³. These characteristics and experiences position cooperatives as important contributors to raising European competitiveness and innovative edge. To this end, cooperatives, belonging to the wider social economy family, should be recognised throughout the Regulation as such:

- **The term ‘social enterprises’ used throughout the Regulation should be replaced by ‘social economy enterprises’ to avoid any confusion, ensure the use of a more inclusive and complete term and to comply with the terminology used in the [Social Economy Action Plan](#) and the [Council Recommendation on developing social economy framework conditions](#).**

3. Recognise workers buyouts as a way to fight deindustrialisation

Workers buyouts⁴, that is, business transfers to the employees under the cooperative model, are a powerful tool against deindustrialisation and succession crises, which ensures that businesses at risk of closure or relocation, as well as the jobs, know-how and skills, remain in the local territory. Supporting workers buyouts and creating an enabling environment for them is instrumental in preserving European manufacturing leadership and keeping economic value inside the EU. The **ECF should promote workers buyouts by providing funding** for the transfer of the business to the employees. Moreover, workers should be given preferential rights to grant them the best conditions for a takeover bid for an enterprise facing closure.

4. Strengthen cooperatives’ access to the ECF InvestEU instrument

Building on the current InvestEU fund, the ECF InvestEU instrument must retain the social investment dimension. Industrial and service cooperatives – despite their contribution to innovation, competitiveness, and decarbonisation of the EU – often face challenges when it comes to accessing finances. While venture capital may be available for some cooperatives, it is often hard for them to access due to their specific characteristics. In fact, their ownership

³ Platform cooperatives are a cooperative response to the rising prominence of platform work; in multistakeholder cooperatives, the cooperative is owned by various stakeholders, such as workers, customers, beneficiaries, and local authorities (e.g., the French Société coopérative d'intérêt collectif, or SCIC; or the Italian Cooperative di Comunità); energy community cooperatives guarantee ownership of the energy supply by the people using it; cooperatives of autonomous workers or freelancers offer mutualised services (administrative, financial, accounting, etc) and social protection while maintaining autonomy.

⁴ More information: CECOP. 2023. Report from CECOP’s conference – Workers Buyouts – what is the cooperative key to success? https://www.cecop.coop/uploads/file/CECOP_WBO_report.pdf

and governance model, based on one-member-one-vote, does not allow external investors to acquire controlling stakes (or only very limited stakes), which reduces the attractiveness of such enterprises for conventional equity financing. In addition, cooperatives prioritise reinvestment of surpluses and long-term resilience over short-term profit maximisation, limiting the scope for high financial returns sought by venture capital funds. Instead, equity and quasi-equity investments should be promoted.

The ECF InvestEU instrument is well-positioned to continue the work of the InvestEU fund and provide further financial support for cooperatives. To this end, it is essential that this instrument **takes into account the cooperative business model and promotes their access to the Fund.**

5. Earmark financing for small and medium enterprises

It is indispensable that the ECF is accessible to all companies, regardless of their size and business model. Cooperatives, many of which are SMEs, play a key role in raising the competitiveness of the EU. Therefore, it must be ensured that ECF funding is not given out on a first come-first served basis, as this will lead to much of the funding going to large profit-oriented businesses. **Specific funding for SMEs must be ring-fenced** – as Article 29 calls for it –, and it must be guaranteed that the funding is accessible for different business models, including cooperatives.

6. Invest in the people

As Mario Draghi wrote in his report, it is crucial to preserve and strengthen the European social model for increasing the competitiveness of the EU. The proposal for the Regulation also states that “the competitive strength of the Union lies in its people”, but to achieve this, social objectives and investing in the people must be key components of the European Competitiveness Fund.

To this end, **the ECF must provide sufficient support for skills training**, including upskilling and reskilling workers to ensure that the digital and green transitions are just. Furthermore, **the ECF must support the creation of quality jobs**. As stated in CECOP’s contribution to the Quality Jobs Roadmap call for evidence⁵, cooperatives provide quality jobs by providing fair wages and good working conditions, lower pay gaps, training opportunities, tailored support for marginalised groups, and, crucially, democracy at work, which empowers workers and strengthens job satisfaction.

⁵ Available at: <https://cecop.coop/works/cecops-contribution-to-the-european-commissions-call-for-evidence-on-the-quality-jobs-roadmap>

CECOP is the European Confederation of Industrial and Service Cooperatives, representing approximately 43,000 cooperative enterprises, employing over 1.3 million workers, across 15 EU countries and the UK. The majority of cooperatives affiliated to CECOP's members are worker cooperatives (72%), which are democratically managed and owned by the workers, and social cooperatives (27%), whose core mission is the provision of social services and work integration of disadvantaged groups.