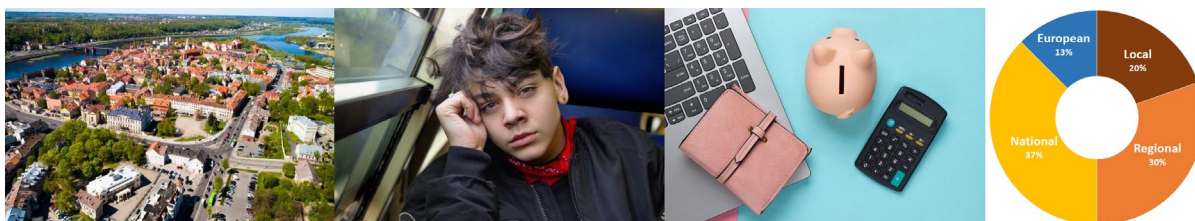


EU action plan for the social economy

Pre-legislative synthesis of national, regional and local positions on the European Commission's initiative



This Briefing forms part of an EPRS series which offers a synthesis of the pre-legislative state-of-play and advance consultation on a range of key European Commission priorities during the latter's five-year term in office. It seeks to summarise the state of affairs in the relevant policy field, examine how existing policy is working on the ground, and identify best practice and ideas for the future on the part of governmental organisations at all levels of European system of multilevel governance.

Summary of findings

An EPRS analysis of the positions of partner organisations at European Union (EU), national, regional and local levels suggests that they would like the following main considerations to be reflected in the discussion on the forthcoming European action plan for the social economy.

There is broad consensus that **access to finance** requires diversified funding options and that synergies should be established between regional, national and EU funds. Funding under Next Generation EU has the potential to be a positive game-changer for the social economy in Europe. When it comes to **framework conditions**, the need to increase the visibility of the social economy is widely recognised. Public authorities particularly suggest visualising the impact of social economy enterprises and setting up an online platform where social actors can interact.

Access to markets could benefit from strengthening the business-to-government channel. Regional governmental organisations advocate stronger inter-regional cooperation within the EU. As an example of good practice, the European Committee of the Regions identifies the [social economy thematic platform](#) under the smart specialisation strategy, which comprises seven regions in six Member States. According to public authorities, some tools, the European social economy regions (ESER) scheme for example, could be further promoted to strengthen the **global dimension** of the EU's neighbourhood policy. There is also further potential to link up with the Organisation for Economic Co-operation and Development (OECD) and the United Nations (UN).

Some governmental organisations signalled their intention to invest in **new technologies**, such as cloud computing, big data, blockchain and robotisation. Finally, **new business models** could be created by paying attention to cross-cutting issues such as gender equality and the ability of the social economy to find solutions adapted to rural areas. Overall, **the social economy is seen as a way to solve local problems, including employment, inclusion, care and education, with a bottom-up approach.**

1. Current state of play

Background

Traditionally the [social economy](#) is considered as an ever-growing set of private, formally organised enterprises and networks that build on multiple types of resources and cooperation, with local anchorage and democratic and participatory decision-making processes. Its primary aim is not to make profit, but to meet the needs of its members and wider society. The social economy is active in an increasing number of sectors, and while some of its actors are small non-profit organisations, others are large organisations with international outreach. Typical social economy actors include cooperatives, mutual societies, non-profit associations, foundations and social enterprises. While the concept of the social economy is well known in some Member States, it is less well known in [others](#). The main discussions around the social economy involve its important role both in the welfare state and the economy at large. However, the fact that there is no consensus on the definition of the social economy makes it difficult to estimate its contribution to the economy.¹ [Estimates](#) from 2015 indicate that over 2.8 million social economy enterprises and entities in the EU employ over 13 million people and generate approximately 8 % of Union gross domestic product (GDP). This sector has not only created profit, but has also offered a new business logic. The Covid-19 crisis has underlined the social economy's '[value added](#)'. Moreover, in an [international context](#), the UN highlighted the social and solidarity economy as an alternative model of growth that fosters economic dynamism, social and environmental protection and socio-political empowerment equally, and thus can help to achieve the [sustainable development goals](#) by 2030. However, a need to improve regulatory conditions for social and solidarity-based enterprises in the EU remains, particularly in respect of the lack of visibility, limited access to funding and the large differences between social economy entities in terms of opportunities to participate in the economy at national and sub-national level.

The European Parliament has actively supported the EU social economy over the years. For example, in June 2018, Parliament adopted a legislative-initiative report on a [statute for social and solidarity-based enterprises](#), with recommendations to the European Commission on how to improve regulatory conditions, for example through a 'European social economy label'. The Parliament's activity in this field also includes recourse to the position of Parliament's Intergroup on the social economy, currently composed of [approximately 80 Members](#) representing all European political groups and from over 20 Member States. Moreover, the Parliament's Committee on Legal Affairs is currently preparing a [legislative-initiative report](#) with recommendations to the European Commission on a statute for cross-border associations and non-profit organisations. According to [the study](#) supporting the proposal, the importance of removing legal and administrative barriers and empowering these entities to operate across borders is essential for them to better contribute to the development of sectors including education, culture, healthcare, social services, research, development aid, humanitarian assistance and disaster preparedness. In addition, the study concludes that EU action could have added value. However, given the long history of discussing [this issue](#), it may be still difficult to find a consensus across Member States on the best EU tools (including legislative and non-legislative measures) to be used to achieve these aims. The Parliament's Committee on Employment and Social Affairs is currently preparing an [own-initiative report](#) on the EU action plan for the social economy.

The Council has also complemented efforts to improve regulation of the social economy, unanimously adopting conclusions in 2015 related to the '[The promotion of the social economy as a key driver of economic and social development in Europe](#)'. Six Member States then made additional commitments in the [Luxembourg Declaration](#), the implementation of which is overseen by a [Monitoring Committee](#) (also known as the High-level Group of Member States on Social Economy). A growing number of Member States have also held an annual international summit on the social economy. In December 2020, 19 Member States adopted the [Toledo Declaration](#) and

reiterated their desire to cooperate in the framework of the forthcoming EU action plan for the social economy.

European Commission President Ursula von der Leyen included the design of an action plan for the social economy in her mission letter to the Commissioner for jobs and social rights, Nicolas Schmit. Subsequently, in her letter of intent accompanying her 2021 State of the Union address, President von der Leyen confirmed her intention to adopt the plan, which is currently scheduled for early December 2021. Between March and April 2021, the plan's [roadmap](#) was open to comment from stakeholders and [citizens](#).

This briefing focuses on the following key themes for the social economy:

- 1 access to finance;
- 2 improving framework conditions;
- 3 access to markets;
- 4 the global dimension; and
- 5 new technologies, new business models.

Methodology

The data sources for this briefing were obtained through:

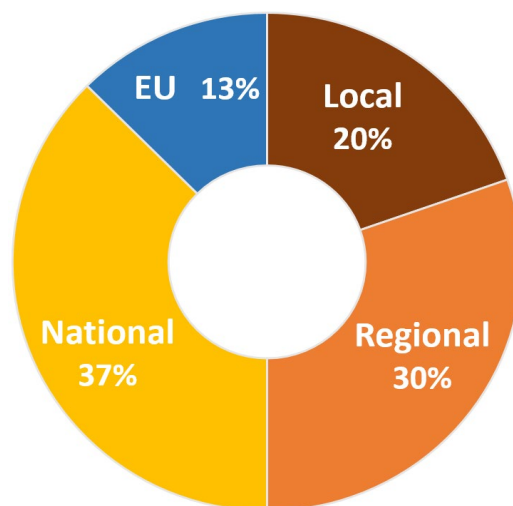
- 1 **general requests** for input from governmental organisations at all levels of government; and
- 2 **proactive desk research**, aiming to obtain additional relevant input.

First, requests for input on key European Commission priorities were sent to all the governmental organisations in the Linking the Levels Unit network. These are active in a broad range of policies. This was carried out by means of the monthly newsletter *The Link*,² with calls sent each month between February and May 2021 to an expanding network, reaching over 711 contacts by the end of that period.

Second, pro-active desk research was carried out to gather further information from other governmental organisations online, as well as from the relevant literature, using [European Parliament Library](#) knowledge resources. This process took place from April to November 2021, with a view to closing identified analytical gaps.

This outreach strategy garnered 95 documents from governmental organisations, which are analysed in this briefing. The main sources analysed as part of the desk research include the feedback sent to the European Commission on the above-mentioned roadmap by 10 respondents who declared themselves to be public authorities. Finally, they also include responses from [Eurocities](#), an EU-wide umbrella organisation of cities. Figure 1 shows the input obtained according to the level of government from which the documents originate.

Figure 1 – Levels of governmental organisations, which contributed input analysed in this briefing



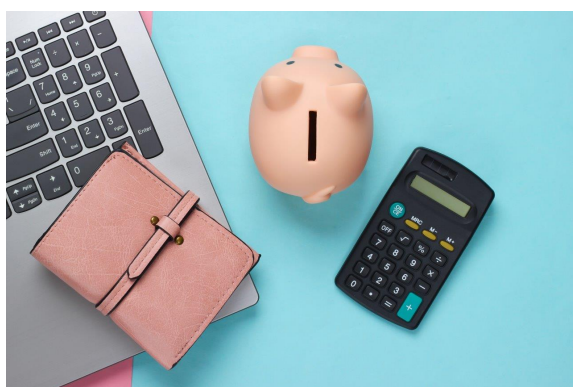
Source: EPRS.

2. Positions of governmental organisations to date

Access to finance

One of the most commonly identified issues across all levels of governance is that of access to finance for the social economy. On the local level, [Eurocities](#) has collated 11 best practice examples of cities' promotion of social entrepreneurship, including the role played by networks of actors within the social economy, including non-governmental organisations (NGOs). Cities quoted include Nantes and Rennes in France; Milan and Turin in Italy; Rotterdam and Utrecht in the Netherlands; Lisbon and Porto in Portugal; Terrassa in Spain; and Gothenburg and Malmö in Sweden. In analysing the funding options implemented by these cities, most provide business development grants to current and prospective social entrepreneurs, often in combination with low-cost business incubation services. Capitalising on regional, national, EU and international funds is also seen as a way to support social entrepreneurship, although the issue of insufficient capacity to apply for such funding is identified. Finally, [microfinancing](#) and [social bonds](#) are also used in some cases.

Figure 2 – Access to finance is an issue for the social economy



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At the same time, Amsterdam, in a country with a well-developed financial sector, finds that capital is no longer the biggest obstacle for 'impact enterprises', which – by its definition – comprise both social enterprises and socially responsible businesses. In its [Amsterdam impact 2019-2022: strengthening the ecosystem for impact entrepreneurship](#) programme, the city of Amsterdam identifies three important aspects that nonetheless need further development: promoting cooperation between different types of finance providers, strengthening links between finance providers and impact companies, and improving knowledge and expertise. The city aims to support targeted

cooperation between finance providers and social enterprises, thus stimulating the creation of integrated financing. In addition, **Amsterdam** also aims to promote equity funds and provide expertise to municipal initiatives for social impact bonds. Along the same lines, the [Dutch Ministry of economic affairs and climate policy](#)³ expresses the belief that there is no need to develop specific financial tools for social enterprises, as social enterprises can make use of a wide range of public and private financing tools in the Netherlands, including early-stage financing, the Dutch [Seed Capital](#) scheme and the [Dutch Good Growth Fund](#).

On the regional level, Sweden's [Region Örebro County](#) acknowledges that access to small investments, particularly for start-up cooperatives working in innovative areas such as the digital and green transitions, is one of the main obstacles in social economy development. **Örebro** welcomes the increasing attention devoted to the social economy in EU programmes and funds, but urges the EU action plan to also focus on finance. The availability of financing is also a concern for the Spanish region of **Murcia**, which highlights that synergies between regional, national and EU financing are a key component of its June 2021 [Fifth deal for the social economy](#).

In 2021, the regional government of [Wallonia, Belgium](#), asked that access to public-private funding (including loans, capital, micro-credit) be facilitated at the regional, national and EU levels, notably through the [European Regional Development Fund](#), the European Social Fund, and Belgium's National Plan for Recovery and Resilience. This would require, among other things, adapting some

pieces of legislation and raising awareness among social economy enterprises about State aid rules. Still in Belgium, in April 2021, both the [Flemish Department of work and social economy](#) and the [Association of Flemish provinces](#) asked the Commission to consider a realistic and pragmatic regulation and implementation of State aid rules.⁴

Box 1 – State aid and flexibility to respond to the coronavirus pandemic

State aid is public support for a company that gives it an advantage over its competitors. Measures that constitute State aid are in principle illegal, unless issued under an exemption, such as the *De minimis* Regulation or the General Block Exemption Regulation (GBER), subject to notification and European Commission approval. Measures that do not exceed the *de minimis* threshold per undertaking (i.e. [€200 000 over a period of three years](#) for most businesses) can be adopted without notifying the Commission. However, State aid rules already allow for aid to compensate for damage caused by exceptional events, such as a pandemic. State aid can also be used to remedy serious disturbances to the economy. The current temporary framework, adopted by the Commission in March 2020, sets out temporary State aid measures that the Commission will consider compatible with the State aid rules, allowing Member States full flexibility in supporting their coronavirus-stricken economies. On 30 September 2021, the Commission proposed to extend this temporary framework until 30 June 2022 and, in some cases, beyond that date. Moreover, the Commission extended the scope of the GBER in July 2021 to include '(i) aid granted by national authorities for projects funded via certain EU centrally managed programmes under the new Multiannual Financial Framework; and (ii) certain State aid measures that support the green and digital transition and are, at the same time, relevant for the recovery from the economic effects of the coronavirus pandemic'. Finally, services of general economic interest (SGEI) are specific economic activities identified by public authorities on the basis of two characteristics: (i) they have particular importance to citizens and (ii) they would not be supplied by market forces alone. Examples include social services.

For further information, see: M. Karaboytcheva and C. Remeur, [State aid and the pandemic: How State aid can back coronavirus economic support measures](#), EPRS, June 2020, and

The Flemish public authorities argue that the current State aid rules are fundamentally incompatible with the social economy: their alleged excessive complexity would impose constraints on social enterprises and create tensions with EU employment objectives, notably on access to the labour market – a core task of the social economy. The **Association of Flemish provinces** argues that State aid is tailored to large administrations, rather than smaller ones. Many local and regional governments resort to the *de minimis* threshold to comply with State aid rules. However, companies, especially connected ones, often reach the *de minimis* threshold quickly, so this solution is not sustainable for them. Furthermore, according to the Flemish provinces, local administrations do not have the resources or knowledge to use other funding options, such as the GBER and the SGEI package, which are considered complex and sometimes ambiguous, and moreover, which are not suitable for the wide range of activities performed in the social economy. The **Flemish provinces** have set up subsidy schemes to which social economy organisations willing to innovate can apply, complementing the support of other levels of government. However, bringing this financial support in line with EU State aid rules is a major challenge for such smaller administrations. They suggest examining how State aid rules can be made compatible with the social economy and with smaller local and regional administrations.

The [Italian Ministry of labour and social affairs](#) focused on EU funds, noting that the [European Social Fund](#) (ESF) programming has progressively begun to valorise the social economy by supporting its actors and activities. According to **Italy**, the new ESF+ programming for 2021-2027 has further promoted the employment value of the social economy, focusing on (re)integration in the job market, particularly for young people and the long-term unemployed. The importance of

diversifying funding opportunities has also been identified in the **Estonian Ministry of the interior's** 2021-2024 [civil society programme](#). This document stresses that it is important to analyse and find solutions to attract more private funding for NGOs, which make up the overwhelming majority of social enterprises in Estonia. The Baltic country is, for instance, considering 'social investment bonds'⁵ among its options

At EU level, as expressed by the [European Economic and Social Committee](#) (EESC), most of the existing business development programmes and financing instruments are designed for a standard, traditional company model. This fails to sufficiently support social economy enterprises – including mutual societies, cooperatives, associations and foundations – and may in some cases constitute an obstacle to their development. The [EESC](#) also touches upon the new [European Social Fund Plus](#) (ESF+).⁶ It mentions that social economy activities should become a separate, specific objective of the ESF+, given the growing importance of the social economy for the social dimension of the EU. For the **EESC**, a suitable share of ESF+ funding should be made available to smaller, local non-profit enterprises, with particular targeted support for volunteering in social and health service provision. In addition, the EESC also advocates the possibility of funding non-profit organisations exclusively without infringing EU State aid rules. According to the EESC, a general exemption should be introduced for the use of EU funds with national co-financing. As with purely EU-managed programmes, State aid rules should not be applied in the case of national co-financing. Member States' authorities would be able to determine, in a legally binding manner, in which cases State aid rules do not apply. The Commission or the Court of Justice of the EU should have the power to monitor abuse in this context. In conclusion, the EESC also states that support for non-profit social economy organisations should also be addressed in the [Social Scoreboard](#) indicators linked to the European pillar of social rights and to the European semester.

Similarly, the [Committee of the Regions](#) (CoR) has pointed out that social economy enterprises face additional difficulties in accessing finance, partly due to poor visibility and understanding of their specific business model. The [Committee of the Regions](#) highlights the key role played by the cohesion funds, and in particular the European Regional Development Fund (ERDF) and ESF, in financing social economy projects. The **CoR** also stresses that the [InvestEU](#) programme will play a key role in financing innovative social economy projects. It calls for establishment of financial support for the creation and development of social economy enterprises. Finally, the CoR also highlights that social economy financial actors – ethical and cooperative banks, credit unions, micro-finance, social financial institutions, mutual societies and cooperative insurance companies – contribute to sustainable finance,⁷ and help ensure the financial inclusion of vulnerable groups.

Investments in social entrepreneurship have been part of the **European Investment Bank's** activity for some time, as shown in its 2017 publication on the [EIB group support for the social sector](#). To meet the needs of a largely heterogeneous market, the European Investment Fund adopted a multi-product strategy contributing, for instance, to the EU programme for employment and social innovation (EaSI), now part of ESF+; and the European Fund for Strategic Investment, now followed-up by the InvestEU programme.

Improving framework conditions

Improving framework conditions relates to enhancing regulatory environments that allow social economy entities to be identified in the markets. According to organisations at all levels of government, for the social economy to continue expanding, it is crucial to support the development of an adequate legal framework, to increase awareness of its actions, and to reinforce its ecosystem.

On the local level, [Barcelona active](#), the city of **Barcelona** local development agency believes it is important to raise awareness of the opportunities and benefits of the social economy, and to

Figure 3 – More visibility for the EU social economy?



Kaunas, Lithuania, one of the EU capitals of culture in 2022.

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reinforce its capacity to offer new products and services that meet consumer needs in a socially responsible manner. To achieve this, it is necessary to provide entrepreneurs with knowledge, tools, advice, and physical spaces to allow their social business to grow in the long term. The city of [Amsterdam](#) is working on additional practical ways to increase visibility, including 'buy social' matching events and shopping routes, as well as running 'impact days' and other campaigns to provide a platform for entrepreneurs and encourage a range of partnerships. According to [Eurocities](#), certain success factors for thriving social entrepreneurship at the local level can be identified. First and foremost is the existence of a cross-cutting economic and social cohesion strategy that includes market monitoring and

regular data collection to better target action. Having a coordinated network of local stakeholders contributes to developing a local ecosystem. Tackling entrepreneurial skills shortages through training is also important, as social economy actors often lack the resources or business and technical skills to transition their businesses to more sustainable models. Finally, it is crucial that the entire process of promoting local social entrepreneurship is a citizen-led, bottom-up effort, as this can foster the success of social economy enterprises, according to Eurocities.

On the regional level, the [Flemish Department of work and social economy](#) believes that, to maximise their benefit, it is important to be able to visualise the societal impact of social economy action. Therefore, the EU plan should also incorporate action on measuring and demonstrating societal impact. This might also be an incentive for social economy enterprises to invest more in innovation, which should also be a priority, according to the Flemish department.

On the national level, the [Irish Department of rural and community development](#) believes that more should be done at the EU level to increase the visibility and recognition of social economy organisations. The end goal should be mainstreaming the social economy into EU law, policy, and programmes. For the [Romanian Ministry of labour](#), it is important to focus on reinforcing support for social economy enterprises. To this end, it recommends creating an online platform, so that all structures of the social economy are known, able to interact with each other and encouraged to exchange experiences and ideas. To support the development and visibility of social economy structures, the [Latvian Ministry of welfare](#) has carried out mainly information and education campaigns, for example establishing a new annual social entrepreneurship week, promoting seminars and workshops for existing and prospective social entrepreneurs, and competitions for social entrepreneurship ideas.

Connected to this idea of promoting awareness, the [Bulgarian Ministry of labour and social policy](#) had already introduced the brand 'Social enterprise product' in 2011, which awards social economy businesses with a logo. A similar quality label programme has been implemented by the [Estonian Ministry of the interior](#). Taking a complementary path to tackle this same issue, the government of [Luxembourg](#) has requested that its statistics service, STATEC, implement social and solidarity economy satellite accounts, a tool promoted also by the EU. In using the UN methodology [Handbook on satellite account on non-profit and related institutions and volunteer work](#),⁸ social and solidarity economy entities will appear in a separate category in the national accounts.

Practical recommendations on boosting visibility have also come from the EU level. On one hand, the [EESC](#) recommends that a protocol on diversity in types of enterprises should be annexed to the EU Treaties, along the same lines as Protocol No 26 on services of general interest, including a separate definition of non-profit social enterprises. On the other hand, the [CoR](#) believes that there

should be a single online platform to support enterprises and organisations, with links to EU studies, reports, and opportunities offered by the EU, echoing the suggestion made at national level, for instance by the Romanian Ministry of labour (see above). The EU action plan should also provide for a broad communication campaign to be implemented together with the CoR, EESC, and social economy networks. The CoR also believes that the Commission should further promote the involvement of local and regional governmental authorities in the [Expert Group on Social Economy and Social Enterprises](#) (GECEs), including by setting a working group for local and regional social economy policies.⁹ A final suggestion from the CoR is the selection, each year, of a European capital of social economy. For information, the High-level Group of Member States on Social Economy (see 'Background') already selects a capital since 2017.¹⁰

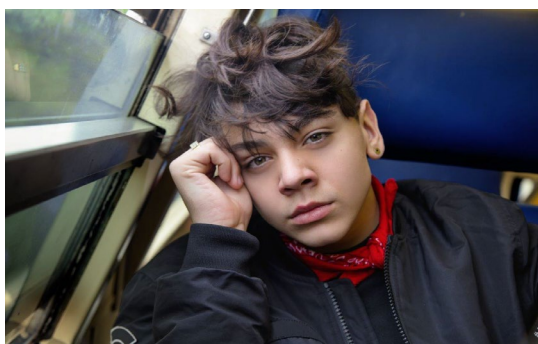
Access to markets

On the local level, **Amsterdam** has made improved market access one of the priorities of its [2019-2022 strategy for impact entrepreneurship](#). The city argues that while business-to-**business** and business-to-**consumer** are currently the main focus for social enterprises, business-to-**government** market access has untapped potential. Public procurement by municipalities and other levels of government can provide a significant source of revenue. Other governmental organisations provide concrete examples related to socially responsible public procurement and non-profit public partnerships; and to EU cross-border activities.

Socially responsible public procurement and non-profit public partnerships

On the regional level, [Wallonia](#) encourages deeper links between stakeholders in the social economy and those in the traditional economy, in particular through the insertion of [flexible social clauses](#) in public contracts. The Swedish [Region Örebro County](#) has urged the Commission to update the guidelines for procurement¹¹ by including targets of implemented procurement supporting the social economy. It also requests further exploration of best practices, such as experiments by the city of **Brescia** and by **Sweden's** 'non-profit public partnerships' (or 'IOP', from the Swedish *'idéburet-offentligt partnerskap'*). In Swedish IOPs, public organisations enter into

Figure 4 – Non-profit public partnerships help unaccompanied minors in Gothenburg



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agreements with non-profit organisations, which may be outside the public procurement requirements. An example is a **city of Gothenburg** experiment in the field of unaccompanied minors. According to an independent [evaluation](#), this tool would offer more flexibility than a standard contract.

As identified by the [Estonian Ministry of the interior](#), preference for price rather than quality remains a significant problem in public procurement. Here, one of the main issues identified is the lack of comprehensive statistics that would allow for an adequate assessment of the scale of societal challenges and the impact of different policy options, including action by social enterprises. Along the same lines, the [Irish](#)

[Department of rural and community development](#) believes that EU legislation could do more to pro-actively encourage socially responsible public procurement. At national level, Ireland has implemented a specific enabling measure in a series of procurement webinars organised for social enterprises.

The [Polish Department of social and solidarity economy](#) notes how, in 2015, less than 1 % of local government budgets were allocated to social economy entities providing social public utility services. According to their analysis, these entities, which are seen as instrumental to creating local jobs and strengthening social cohesion, are pushed out by commercial companies. Among the

reasons quoted are the lack of valid bids from social enterprises. The Polish department therefore suggests strengthening existing social enterprises, creating new ones and addressing communication campaigns to local authorities. To this end, it has made a priority to allocate at least 2 % of local government budget in 2023 on commissioning the provision of social public utility services for social economy entities.

At EU level, the [CoR](#) has called on the Commission to further promote socially responsible public procurement among EU public authorities as a key tool to foster competition in public procurement and to promote socially responsible business practices. In this context, the [EESC](#) believes that non-profit social enterprises and similar non-profit organisations should be granted particular consideration in public procurement law over public or commercial suppliers in the provision of social services of general interest, particularly in areas such as health and care.

Stimulating social economy enterprises' cross-border activities within the EU

[Wallonia](#) wishes to promote the internationalisation of social economy enterprises and encourage cross-border activities, to exploit the potential of the internal market (particularly exports of goods and services). This could be achieved through, for example, the Interreg programme.

Similarly, the [CoR](#) highlights the importance of promoting inter-regional cooperation on the social economy to foster transnational business clusters, cross-border synergies and cooperation with outermost regions, as well as with third countries. To this end, it supports the internationalisation of social economy enterprises/organisations in the single market. It also notes that the [European social economy regions](#) (ESER) initiative and the social economy missions initiative have been crucial in creating a broad community of sub-national authorities developing the social economy, and that their role should be strengthened in the EU action plan. According to the CoR, the thematic [European smart specialisation platform](#), which brings together seven European regions, is also a useful tool for promoting interregional cooperation, which should be taken into account in the future EU social economy action plan.

Global dimension

Building international engagement and transnational connections on the social economy is also a shared priority among governmental organisations.

Migration is one area in which the social economy is active at local level. The Italian municipality of [Lampedusa and Linosa](#), project leader of the [Border towns and islands network](#), argues that the EU action plan should introduce concrete support measures for two main categories: citizens living at the EU's external and internal borders, who have seen their socio-economic ecosystem dramatically changed due to migration flows during the last decade; new citizens with a migration background, who through social economy opportunities may speed up their integration process and avoid exploitation.

At national level, the [Irish Department of rural and community development](#) emphasises the importance of international knowledge-sharing to develop social innovation. The creation of collaboration networks is an aspect that could be further promoted in the new EU action plan. According to the Irish department, this should also include increased cooperation between the EU, the OECD, the International Labour Organization, (ILO) and the UN, including by continuing the work of the [UN Inter-agency task force on social and solidarity economy](#). Additionally, they recommend developing an international European social economy regions (ESER) scheme, which would promote exchanges of best practice and boost strategic relationships between the EU and its partners. Launched in 2018, ESER was designed to raise awareness of the social economy at regional and local level. The scheme is already in its [fourth edition](#): non-EU members currently include sub-national governmental organisations from Bosnia and Herzegovina, Moldova, North Macedonia and Ukraine. The Commission provides a visual identity and sends experts, but does not provide any financial contribution. For the [Dutch Ministry of economic affairs and climate policy](#), social enterprise developments are inextricably linked with the achievement of the UN sustainable

development goals (SDGs), an idea shared also by the city of Amsterdam and by Wallonia. Amsterdam has also pointed out the value of connecting urban and regional ecosystems, both within a region and externally with other regions and countries, as this cooperation promotes knowledge sharing and may attract additional financial resources. To this end, the city has been developing an eco-system network with other cities, providing enterprises with support to enter the international market through trade missions. It is also in the process of developing a broader strategy to attract and co-develop events with international appeal and participants.

New technologies, new business models

While some social companies start up as digital innovators, other traditional social enterprises have found it more challenging to access digital solutions. In this context, some avenues for further development may be highlighted.

In [Wallonia](#), the '[Get up Wallonia](#)' recovery plan and the recently adopted 'Alternativ'ES Wallonia' strategy aim at supporting social economy enterprises and cooperatives to face the ecological and digital transitions. Public tools include start-up grants, information and awareness-raising campaigns. The region of [Murcia](#) is supporting the implementation, investment, and incorporation of advanced technologies in social economy enterprises, including cooperatives. These include robotisation, big data, cloud computing and blockchain. At EU level, blockchain is also considered useful infrastructure for the social economy. In an [own-initiative opinion](#), the EESC states that the practical applications of blockchain and distributed ledger technologies could significantly improve the performance of social economy organisations, benefiting them, their members and, above all, their end users. The EESC identifies many practical uses for these technologies, including consultation of members, voting procedures, donations, fundraising and expenditure reporting, which are relevant for a broad range of sectors.

When it comes to new business models, the Spanish region of [Navarra](#) presents itself as a social economy innovator. Two of its stated key initiatives are related to management and planning. First, Navarra created a social innovation unit, the result of a collaboration between the government of Navarra's economic development department, the regional social economy business confederation and a technology corporation, where the unit is located. Second, Navarra added the social economy to its 2030 development plan.

Finally, new business models based on greater inclusiveness and decentralisation may be created by paying attention to two cross-cutting topics highlighted by governmental organisations: gender equality and rural areas. According to the [Swedish association of local authorities and regions](#), clarifying the link between social economy policies and the gender, diversity, and accessibility perspectives is necessary. This concept is echoed for instance by [Barcelona](#) and by the CoR. When it comes to rural areas, the [Corsican regional chamber of social and solidarity economy](#) stresses that the social economy is a great tool for the development of rural areas in Corsica, thanks to its ability to respond to needs identified on the ground. This idea is echoed for instance in Sweden, by the already-mentioned Region Örebro County, and by the CoR.

3. Analysis of governmental organisations' positions

An analysis of governmental organisations' positions is affected by the sheer diversity of the social economy, with actors ranging from non-profit organisations to standard businesses in the definitions adopted by different public authorities. The positions reveal the peculiar case of the social economy from a multi-level governance perspective. The social economy appears to be a way to solve local problems, and to address market failures that can be best solved at local level. For this reason, the positions in this briefing are presented according to a bottom-up approach, starting with local and regional positions and moving on to national and EU-level organisations.

When it comes to **access to finance**, there is broad consensus on the need to diversify funding options, including both private and public funds, as well as on the need to tailor funds to the

specificities of the social economy. The local level seems to have a primary role in the implementation process, and thus in the assessment of how funds can be distributed on the ground. Regional organisations point out the need to establish synergies between regional, national and EU funds. Concerning the EU's role, three strands of action can be highlighted: cohesion funds, State aid and Next Generation EU, the EU's stimulus package introduced as a response to the coronavirus crisis in addition to the [seven-year budget](#) for 2021-2027. First, there is agreement that the ERDF and the ESF+ have an important role to play, and there are suggestions that State aid rules should not be applied in the case of national co-financing. As far as State aid is concerned, sub-national administrations do not seem to factor the considerable flexibility granted by the Commission as a response to the coronavirus crisis into their position and argue that there is a fundamental incompatibility between current State aid rules and the social economy. Finally, the additional funding options provided by Next Generation EU have the potential to be game-changers, as they can be exploited by social economy actors.

As far as the improvement of **framework conditions** is concerned, the need to increase the visibility of the social economy is widely shared. This may be achieved, for instance, by measuring and visualising the impact of social economy enterprises, including in national accounts, by creating an attractive online platform where social economy actors may interact, as well as by further promoting the idea of an EU capital of the social economy. This goes in the direction of creating a strong ecosystem for the social economy comprising all relevant actors, from universities and technology companies, to non-profit organisations, from social enterprises and private finance providers to public authorities at different levels. Finally, according to the CoR, regional and local governmental organisations should be better represented in the [Commission's Expert Group on Social Economy and Social Enterprises](#) (GECES).

In the governmental organisations' positions reviewed, **access to markets** takes two main directions. First, there is untapped potential in business-to-government market access. This strand could benefit from setting quantitative thresholds that public authorities should meet in terms of allocation of funds to social economy entities. Moreover, while [socially responsible public procurement](#) is a broad area, it can also be exploited by social economy entities, through governmental organisations introducing some flexibility at different levels of governance. Finally this does not exclude that some innovative solutions may exist outside the public procurement legislative framework, as in the case of the Swedish non-profit public partnerships. Second, the cross-border dimension within the EU single market is suggested as an avenue for development, namely by regional governmental organisations. This then becomes inter-regional cooperation and may benefit from existing tools, such as the European smart specialisation platform, the European social economy regions (ESER) and the social economy mission initiatives.

The EU single market dimension can hardly be distinguished in some respects from the extra-EU **global dimension**. The same tools, such as the ESER scheme, already see the presence of selected non-EU partners from EU neighbourhood policy and, according to some public authorities, may further be promoted in this direction. There is, however, further potential to link up with the OECD, the ILO and the [UN Inter-agency task force on social and solidarity economy](#). A different global dimension is experienced by sub-national governmental organisations, which are more exposed to migration routes. Diverse municipalities located in the Mediterranean, in the French Nord-Pas-de-Calais region, and in central Europe, share positions that resulted in the creation of a [Border towns and islands network](#). One organisation argues that the EU social economy action plan should find a space to invest in EU citizens living at the EU borders, as well as in non-EU citizens who may find an integration path through the social economy in the EU, where appropriate.

Moreover, while innovative social economy entities do exist, only a few of them found their way into the governmental organisation positions that are the focus of this briefing. This may be related to the diversity within the social economy and may signal that there is room for improvement in the links between these innovators and the public sector. Some governmental organisations stated their intention to invest in **new technologies**, such as cloud computing, big data and robotisation,

in the context of the social economy. This is a crucial issue, as many social economy entities struggle to access and/or develop digital solutions, owing mainly to a lack of financial resources and appropriate digital skills. In this respect, the EESC, in an [own-initiative opinion](#) of July 2019, made a detailed overview of how block-chain and distributed ledger technology may become an ideal infrastructure for the social economy. Finally, **new business models** could be created by paying attention to cross-cutting issues such as gender equality and the ability of the social economy to find solutions adapted to rural areas.

EXPERT READING ON THE TOPIC

Milotay, N., [What future for the social economy?](#), European Parliamentary Research Service, November 2020.

Stanford Social Innovation Review, [European perspectives on the emerging social economy](#).

Selected online reading on social economy, EPRS, accessible on [European Parliament's intranet](#) only.

ENDNOTES

- ¹ One current project is measuring the contribution to the economy by establishing [satellite accounts](#).
- ² Governmental organisations wishing to subscribe to 'The LINK' newsletter can write to EPRS-LinkingLevels@europarl.europa.eu.
- ³ Letter from the State Secretary for economic affairs and climate to the President of the Tweede Kamer, 17 May 2019.
- ⁴ See Box 1 below for the temporary framework adopted as a response to the coronavirus. The Flemish authorities seem to focus on the long-term rules.
- ⁵ Social investment/impact bonds are a public-private partnership instrument, where public authorities pay for a social outcome delivered by social economy enterprises and use the savings to pay the investors who funded the initiative. See: Policy Department for economic, scientific and quality of life policies, [Social Impact Investment - Best Practices and Recommendations for the Next Generation](#), European Parliament, November 2020.
- ⁶ The ESF+ integrates the former European social fund (ESF), the Youth employment initiative (YEI), the Fund for European aid to the most deprived (FEAD) and the EU programme for employment and social innovation (EaSI).
- ⁷ Sustainable finance takes into consideration environmental, social and governance (ESG) issues and risks, with the aim of increasing long-term investments in sustainable economic activities and projects. For more information, see S. Spinaci, [Green and sustainable finance](#), European Parliamentary Research Service, February 2021.
- ⁸ See [Eurostat](#): 'Satellite accounts provide a framework linked to the central (national or regional) accounts, allowing attention to be focused on a certain field or aspect of economic and social life in the context of national accounts'.
- ⁹ Members of the GECES and its working group on clusters are listed on the [European Commission website](#).
- ¹⁰ The EU social economy capitals were the city of Madrid (2017), Maribor, Slovenia (2018), Strasbourg (2019), Toledo, Spain (2020), and jointly the Portuguese municipalities of Braga, Cascais, Coimbra, Sintra and Torres Vedras (2021).
- ¹¹ This may refer to European Commission, [Public procurement guidance for practitioners](#), 2018.

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