



Brussels, 9.12.2021
SWD(2021) 982 final

COMMISSION STAFF WORKING DOCUMENT

**Scenarios towards co-creation of a transition pathway for a more resilient, sustainable
and digital Proximity and Social Economy industrial ecosystem**

Table of content

I. INTRODUCTION	1
II. THE ECOSYSTEM BEFORE AND AFTER COVID-19.....	2
III. TOWARDS 2030: POSSIBLE PATHWAY FOR THE TRANSITION.....	8
An agile and innovative ecosystem delivering economic and societal resilience & just transition....	9
Fully enabling the ecosystem as agent for the green transition	14
Digitalising the ecosystem.....	20
IV. SUPPORTING THE ECOSYSTEM TRANSITION AND LONG-TERM HORIZONTAL CHALLENGES	26
Skills & capacity building	26
EU Financing of projects and activities.....	27
Leveraging spill-over and reinforcing transnational networking and cross-sectoral partnerships...	29
Improving data and intelligence on the ecosystem	30
V. CONCLUSIONS AND AN INVITATION TO THE STAKEHOLDERS	32

This document is a European Commission staff working document. It does not constitute the official position of the Commission, nor does it prejudge any such position.

I. INTRODUCTION

This Staff Working Document is presented in the framework of the EU Industrial Strategy. It accompanies the adoption of the Action Plan for the social economy 2021 - 2030 (hereafter ‘the action plan’) and contributes to its implementation. On this basis, this document outlines scenarios on what accelerating the digital and green transition and building resilience to future shocks mean for the proximity and social economy industrial ecosystem and what joint commitments are needed to accompany this transition. The scenarios build on the potential of the social economy business models to drive an inclusive recovery and twin transition. The Commission will work with stakeholders of the proximity and social economy ecosystem to offer a bottom-up understanding about the areas, scale, cost, long-term benefits and conditions to accompany its twin green and digital transition and it will mobilise stakeholders to work together in this area. This work strand will support the political ambitions of EU Industrial Strategy and the action plan regarding the role of social economy as agent for the green and digital transition.

On 10 March 2020, the Commission adopted a new Industrial Strategy¹ to help Europe's industry and businesses lead the green and digital transformations, and to drive Europe's global competitiveness and open strategic autonomy. Building on lessons-learnt from the

¹ COM (2020) 102 final

COVID-19 pandemic, the update of the EU Industrial Strategy², adopted on 5 May 2021, highlighted the need to further accelerate the green and digital transitions and increase resilience of EU industrial ecosystems. The Annual Single Market Report 2021 presented an analysis of the challenges in 14 industrial ecosystems and the transformative initiatives to achieve the twin green and digital transition and increase resilience. On this basis, the Commission proposes transition pathways to co-create with stakeholders, as an essential collaborative tool for the transformation of the industrial ecosystems.

Moreover, the transition pathway for the proximity and social economy ecosystem is included among the actions contributing to the objectives of the New European Bauhaus.³

In this context, this document is presented to enact the process for the transition pathway for the proximity and social economy industrial ecosystem. It is the first step, and it will result in a finalised transition pathway during 2022, summarising the joint work and targeted engagement with stakeholders and mobilising stakeholders to present commitments and joint actions to boost resilience and accelerate the green and digital transition of this industrial ecosystem. The Commission will mobilise different mechanisms to enable this process and facilitate stakeholder cooperation on the roll-out of the transition pathway.

II. THE ECOSYSTEM BEFORE AND AFTER COVID-19

*N.B. For reasons of consistency, the transition pathway will address the social economy as the centre of gravity of this industrial ecosystem. Due attention will be given to the proximity economy, as part of this ecosystem.*⁴

In the context of this industrial ecosystem, the ‘proximity economy’ includes services and businesses fostering local and short value chains for mainly local production and consumption. Proximity businesses include local businesses and SMEs operating personal and contact services, small shops, bars and restaurants, repair, cleaning and maintenance services, etc. A proximity economy is also characterised by the presence of diverse sets of enabling ‘proximity hubs’ such as cities, local communities, community initiatives, businesses clusters, and public private partnerships.

As outlined in the action plan, the social economy covers entities sharing the following main common principles and features: the primacy of people as well as social and/or environmental purpose over profit, the reinvestment of most of the profits and surpluses to carry out

² COM (2021) 350 final

³ COM (2021) 573 final

⁴ The “Civil Security” dimension (announced in SWD (2021) 351), will not be captured as part of this industrial ecosystem anymore, due to the minimal economic activity and as it concerns mostly public services. Civil security industries are equally represented in other industrial ecosystems identified in the Annual Single Market report 2021 SWD (2021) 351 final.

activities in the interest of members/users (“collective interest”) or society at large (“general interest”) and democratic and/or participatory governance.⁵



Figure 1: The Social Economy Spectrum, Derived from Alter (2004) and Crossan (2005)

The proximity and social economy industrial ecosystem, contributes 6.54% to EU GDP.⁶ This figure captures only part of the ‘social economy’ and of the ‘proximity economy’, as overlaps with other industrial ecosystems occur. Social economy is developed unevenly across EU Member States and regions; where GDP estimates are rare and where available, based on estimations, it can range up to 10% across EU27.⁷ Paid employment varies between 0.6% and 9.9% amongst Member States,⁸ while the share of employment is strongest in the North-Western European countries and lower in Central and Eastern Europe.⁹ These employment figures do not cover volunteers (unpaid jobs) in the social economy, equivalent to 5.5 million full time workers.¹⁰ The social economy concept differs strongly between Member States with different degrees of recognition and developed supportive policy frameworks.¹¹

⁵ COM (2021) 778 An action plan for the social Economy.

⁶ SWD (2021) 351 final, Single Market Report. The estimations for this ecosystem give a limited picture of the social economy because (i) they are based on aggregated NACE code analysis and (ii) parts of the social economy are captured in other ecosystems with limited data available in Structural Business Statistics.

⁷ According to latest data available: share of GDP estimations for Poland 1.8% (GUS & EUROSTAT, 2021), Spain 10% (CEPES 2017), France 10% (Cress 2017), Portugal 3% (INE, 2016). Member States results cannot necessarily be compared, nor aggregated as the methodologies are different. See also chapter 4.4 of this SWD.

⁸ EESC “Recent evolutions of the Social Economy in the European Union”, CIRIEC (2017)

⁹ Corresponds to employment share of the Third Sector Economy in North-Western Europe (15%), Scandinavia (14.4%) Southern Europe (13.3%) & Central/Eastern Europe (9.5%), UN Handbook TSE (2018).

¹⁰ EESC “Recent evolutions of the Social Economy in the European Union”, CIRIEC (2017). As a reference: when considering the estimates for the “Third Sector Economy” the UN handbook TSE (2018) estimates up to 16 million FTE workers are volunteers.

¹¹ European Commission (2020), a map of Social Enterprises and their ecosystems in Europe, Comparative synthesis report 2020: The degree of acceptance of the social enterprise concept varies to a significant extent across countries depending on the relevance of the phenomenon, space of development of social enterprises and existence of other similar and/or bordering concepts.



Figure 2: Paid employment in the social economy relative to total paid employment in each European Country, % (EP, 2015)

Most enterprises in this ecosystem are SMEs. They operate in diverse economic sectors such as agriculture, forestry and fishing, construction, wholesale and retail trade, energy, information and communication, financial and insurance activities, real estate activities, professional, scientific and technical activities, education human health and social work activities, arts, entertainment and recreation.¹²

Social economy business models bring value to the economy and the society and are important vectors for an inclusive green and digital transition. First, they provide vital public or social services, in particular where public authorities are unable to provide basic services and products at market prices (i.e. social health and care services, education, housing). Second, specific business models, such as the social enterprise, boost entrepreneurship and drive social innovation,¹³ as they combine the entrepreneurial mode with a social and/or ecological mission and inclusive governance structures. Third, social economy is largely locally-rooted and, as such, is a driver for local growth and for the development of proximity economy, fostering short value chains for mainly local production and consumption. This makes social economy inclusive, for example by integrating the more disadvantaged groups to the labour market, such as persons with disabilities, older people, unemployed young people, persons with a migrant background, and more broadly responding to the needs of communities by offering social, care and personal services.

Bridging the gap between services provided by public authorities, and the services and products provided by the market, the social economy delivers alternative and tailor-made solutions to local needs and acts as a trusted partner to public authorities. Driving initiatives and entrepreneurial activities born out of collective or community interests, social economy can regenerate EU regions ‘from within’, foster local cooperation and solidarity and, more

¹² EESC “Recent evolutions of the Social Economy in the European Union”, CIRIEC (2017) and UN Handbook TSE (2014)

¹³ ILO (2019) and EASPD (2020)

broadly, generate sustainable growth and jobs in different industrial value chains and economic sectors.

The COVID-19 pandemic affected social economy business and organisational models differently, for example, depending on the industrial value chains and industrial ecosystems they are part of (i.e. social services, hospitality, tourism, cultural and creative industries, retail). Indications in April 2020 showed that the proximity and social economy was amongst the most hit industrial ecosystems (together with tourism, creative and cultural industries and automotive), with an estimated equity loss between EUR 52 billion and EUR 87 billion.¹⁴ This trend continued throughout 2020 and was confirmed in the Annual Single Market Report presented in May 2021.¹⁵

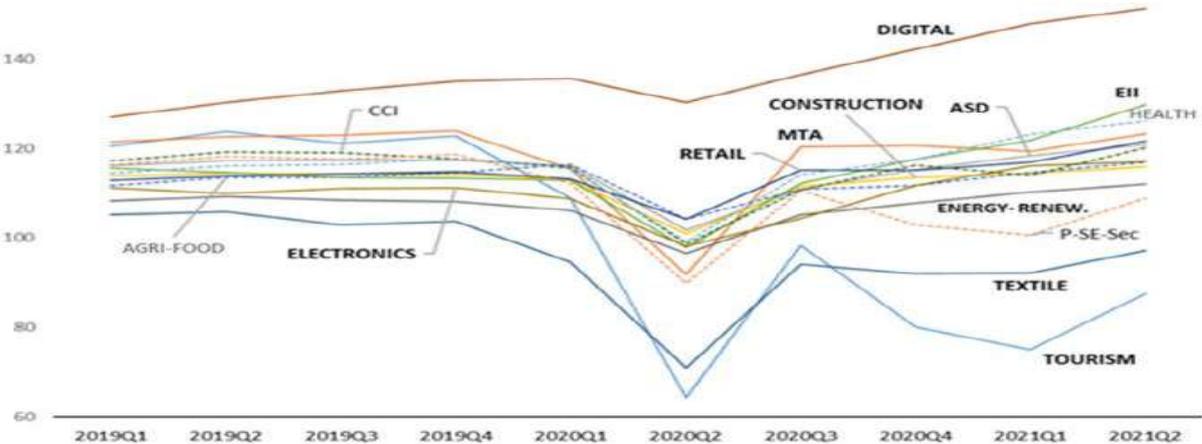


Figure 3: Total index of turnover by industrial ecosystem (base 2015=100), EU27, quarterly ¹⁶

Stronger impacts were felt in the industrial ecosystems where service and personal contact form the basis of the value chains (e.g. tourism, retail, cultural, health, cultural and creative industries), and activities such as education, training, work integration, social services and care.¹⁷ At the same time, social economy activities crucial for urgent sanitary and social needs, witnessed a spike in demand and had to continue their offer despite the lockdown measures in place. This trend is expected to continue during recovery (e.g. supporting vulnerable groups, (re)integration in the labour market, upskilling/reskilling services).¹⁸

¹⁴ SWD COM(2020) 456 final

¹⁵ The estimations for this ecosystem give a limited picture of the social economy because (i) they are based on aggregated NACE code analysis and (ii) parts of the social economy are captured in other ecosystems with limited data available in Structural Business Statistics.

¹⁶ SWD (2021) 351 final, Single Market Report. Data are based on Eurostat National Accounts and SME shares on Eurostat Structural Business Statistics (2018). The estimations for this ecosystem give a limited picture of the social economy because (i) they are based on aggregated NACE code analysis and (ii) parts of the social economy are captured in other ecosystems with limited data available in Structural Business Statistics.

¹⁷ NACE category: Q88 and Q87

¹⁸ [Survey](#) (2020) by Social Economy Europe (2021) showed that 88% of those surveyed were strongly affected by the pandemic and lockdown measures. 71% of the respondents reported a strong impact on employment, with 31.5% using temporary unemployment schemes. 12% of the respondents had to lay-off staff (in some cases the entirety of the workforce), including non-renewal of contracts within the measures adopted. Similar observations by [EASPD](#) member surveys and analysis (2021).



Figure 4: Snapshot survey SEE Members, most impacted economic sectors by COVID 19 in the first half 2020, Social Economy Europe, 2021¹⁹

In terms of business confidence, the ecosystem saw a sharp drop during 2020.²⁰ Although, the indicator is amongst the lowest of the 14 industrial ecosystems monitored in the Annual Single Market Report 2021, it showed gradual improvement in the course of 2021, with a slight decline since summer 2021. Possible causes might include increased prices for energy and raw materials, overheating of labour markets, end of public support measures and new or maintained COVID-related restrictions at local, regional or national level.

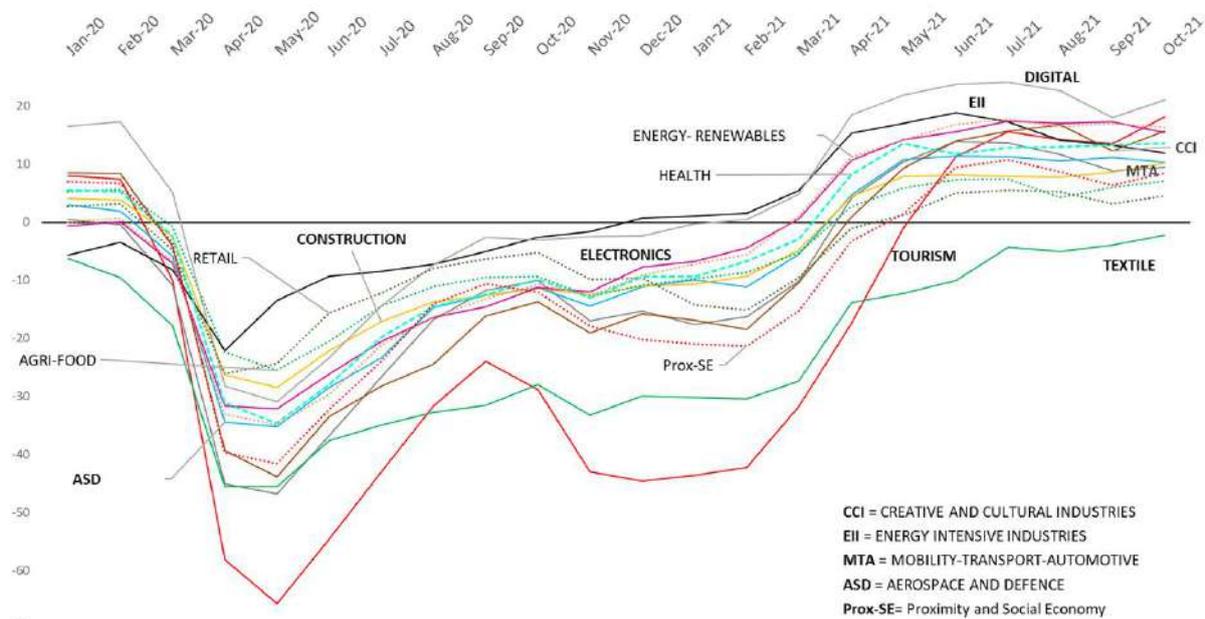


Figure 5: confidence indicator for each industrial ecosystem (2021)²¹

¹⁹ Survey (2020) by Social Economy Europe. The survey has a limited scope of 274 respondents. The responses covered 13 EU countries, 1 non-EU country (Turkey) and the category ‘European level organisation’.

²⁰ European Commission’s Business and Consumer Surveys (2021)

²¹ Business and Consumer Survey, European Commission (2021). European Commission analysis based on data by the Joint Harmonised EU Programme of Business and Consumer Surveys. Note: For “Retail”, “Agri-

Several social economy business and organisational models have proven resilience in past crises. For example, historic evidence²² shows the resilience of the cooperative business model to preserve incomes and employment in time of crisis.²³ The social economy has for example shown its resilience in the global financial crisis of 2008. Potential reasons could be the democratic governance model which brings more staff commitment, accountability of management, and less excessive risk-taking incentives. The COVID-19 crisis confirms some of these strengths, but also made certain vulnerabilities visible, notably in the following areas²⁴:

- Limited security liquidity and recapitalisation options. Most social economy actors do not have large cash reserves due to their specific business model (e.g. unable to fulfil public procurement obligations due to COVID19 restrictions, while fixed costs remain).²⁵ Certain social economy entities (e.g. associations, foundations or other non-profit status) have difficulty to access public support measures (e.g. temporary unemployment schemes), because of their (non-profit) legal status.²⁶
- Digital agility. Certain social enterprises were able to shift to digital offer relatively well.²⁷ Nonetheless, this does not apply across the ecosystem: digital formats do not always fit services requiring physical contact (e.g. social and household services, Work Integration Social Enterprises and hospitality services).²⁸ Ecosystem actors also lack the operational and financial capacity to transform their offer digitally, while location and connectivity may be additional barriers in remote areas.
- Within the social services and social housing sectors, COVID-19 had serious consequences for the services offered and quality of life (wellbeing) of residents and target groups, as well as economic impacts for service providers themselves (e.g. rent income and increase in housing/land prices lead to postponed or cancelled investments

food”, “Proximity & Social Economy”, “Energy-Renewables”, and “Health”, data coverage is partial, so they are depicted using dotted lines and the related values have to be interpreted with caution. Data for Cultural and Creative Industries may underestimate the impact of the crisis, as data for some relevant sectors are not available.

²² Resilience of the Cooperative Business Model in Times of Crisis, ILO (2009).

²³ The social economy was resilient in economic downturns following the Global Financial Crisis in 2008. For example, in countries such as Italy and Belgium, employment in the public and private sectors decreased sharply during the period 2008-2010 just after the crisis, while employment in social enterprises actually grew (11.5% growth in Belgium and 20.1% growth in Italian social co-operatives). European Commission, (2016). In France, between 2000 and 2014, employment in the social economy registered significant and continuous growth (25%), while employment growth in the private sector was much lower (6%). R&S (2015)

²⁴ EUCLID NETWORK, [Social Enterprise Monitor](#) 2020- 2021 and OECD (2021)

²⁵ [EASPD, 2020](#)

²⁶ [OECD, 2021](#)

²⁷ EUCLID NETWORK, [Social Enterprise Monitor 2020-2021](#)

²⁸ Work Integration Social Enterprises were hit particularly from an economic point of view (drop in production, market loss) as well as from a social point of view (no possibility to assist, guide and employ their target groups). ENSIE (2020)

for social housing, inability to fulfil public procurement contracts and income losses because of forced closure of certain health, care and social services).²⁹

Small businesses in the proximity economy faced a similar situation, in particular regarding liquidity and recapitalisation, closure or discontinued service contracts and limited capacity to shift to a digital offer.

As a positive consequence, the pandemic accelerated inspiring initiatives and investment trends generating social impact (e.g. crowd funding campaigns, impact investing, philanthropy, volunteering, community initiatives, TechforGood³⁰) and showing how social economy can reinforce place-based dynamics and empower people to drive green and digital transition. Social economy entities have proven to be trusted partners to public authorities managing the pandemic, by providing health and care services, and by ensuring provision of goods and services at local level, when global supply chains fall short.³¹ Many social economy entities have been at the forefront of the crisis - they have produced face masks, supported digital online education, assisted people in need and provided help for local communities. The pandemic accelerated similar positive trends within the proximity economy, such as the popularity of ‘buy local’ or the accelerated development of the ‘15-minute city’³² concept, building on growing consumer awareness and demand.

III. TOWARDS 2030: POSSIBLE PATHWAY FOR THE TRANSITION

The European economy needs to recover and transform itself, balancing economic, environmental and social objectives. The proximity and social economy industrial ecosystem carries our European values and social market traditions as enablers for an inclusive, accessible and a citizens driven green and digital transition. It does so by showing a “third way” to solve societal challenges that the market and, in some areas, the state cannot address. Social economy is not only “filling in the gaps”, but is also a frontrunner in developing innovative services, products and new markets for a more sustainable and inclusive economy and society. This potential is visible in many economic sectors and activities, such as agri-food, tourism, renewable energy, mobility, retail, circular and digital economy. Importantly, it also resonates with the aspirations of younger generations for a fairer and more just society.

²⁹ <https://www.stateofhousing.eu/#p=18>

³⁰ Tech4Good involves technology-powered, affordable, trustworthy solutions and services that advance good social and environmental causes.

³¹ OECD (2020)

³² The concept of the “15-minute city” is a city model that allows every citizen to live, work, enjoy and thrive, within a short walk or bike ride of their home. It creates a ‘human-scale’ city composed of vibrant, people-friendly, ‘complete’ neighbourhoods. It means decentralising city life and services, boosting the local economy, offering local and diverse employment opportunities and more productive use of buildings and street space.

This transition pathway seeks to leverage this potential of social economy for a just, green and digital transition and recovery. It also seeks to enable actors in other industrial ecosystems to tap into the potential of the social economy.

An agile and innovative ecosystem delivering economic and societal resilience & just transition

Social economy business and organisation models are largely locally-rooted and their resilience depends on the state of the local and regional economies, investment climate, social welfare structure and labour market.

On the one hand, social economy emerges ‘out of necessity’ and is particularly important in areas where mainstream businesses or public authorities are absent or unable to support groups that cannot afford basic services and/or products at market prices. On the other hand, social economy is spearheading the green and digital transition. It boosts diverse modes of entrepreneurship and creates regenerative growth models. It drives social innovation by bringing forth novel bottom-up solutions to tackle social, societal and environmental challenges both in disadvantaged regions and in the most economically robust regions.³³ Moreover, it empowers citizens and communities to benefit from the green and digital transition and to perceive it as an opportunity.

Leverage the scaling potential of social economy business models

As explained, business models within the social economy are likely to be resilient to cyclical and structural economic changes. Nevertheless, this pandemic has shown the underlying diversity within the ecosystem. For actors in this ecosystem operating in the hardest-hit economic sectors, liquidity and adapted support measures (e.g. targeted employment subsidies, recapitalisation) are indispensable for their recovery.³⁴

As a way forward, the potential and advantages of scaling can be considered. Generally, scaling capacity depends on aspects such as professionalisation and capacity in terms of capital base, risk management, governance, innovation strategy and ability to explore new markets. These elements are, unevenly, developed within the ecosystem.

Some initiatives to boost access to investment capital for social enterprises exist at EU and national level,³⁵ however, this market is not yet at its full potential. Besides capacity building,

³³ [ILO](#) (2019) & [Rurrino project](#) (2018) & [EASPD](#) (2020)

³⁴ [Eurofound](#) (2019)

³⁵ For example financial instruments such as guarantees and equity investments for social entrepreneurship provided under the EaSI programme and EFSI, their successors under InvestEU, as well as public and private initiatives in Member States. The Sustainable Finance Disclosure Regulation provides a disclosure framework for sustainable investment products, including investments carrying social characteristics;

enhanced mutual understanding is needed between investors and social enterprises in terms of business models, decentralised scaling models, impact measurement and risk profile for social economy entities. As a positive trend, the global market for social and green investment (e.g. social bonds, impact investment, philanthropy, crowdfunding) increased in recent months.³⁶ This also builds on an emerging trend of venture philanthropy during the last years: in 2017, investors for impact funded 11,951 social purpose organisations with EUR 767 million (868 million USD),³⁷ through highly engaged grant making or social investment.³⁸

Additionally, investment in social infrastructure (affordable housing, health and long-term care, education and life-long training) remains a critical issue, which, if not addressed effectively, will become a barrier for the future growth of many actors of the ecosystem. Investment gaps in this area are estimated at EUR 192bn per year and have been reinforced by the pandemic (see table).³⁹

Social infrastructure investment needs (EURbn, per year)	
Education and long-life learning	15
Health*	70
Long term care	50
Affordable housing	57
Total	192
<small>*The original estimate of 20bn before the crisis has been increased to 70bn due to the crisis. Source: European Green Deal Investment Plan Communication (January 2020) and the Report of the High-level taskforce on investing in social infrastructure (2018)</small>	

Accelerate spill-overs from the social economy & proximity to other industrial ecosystems

More and more businesses are experimenting with sustainable spin-offs and linking profit with social and sustainability objectives, e.g. embedding SDGs in their operations. This leads to more sustainably produced products and services, but also to changing business models, missions and ambitions. This trend results in a growing (e.g. tech-driven) convergence between mainstream businesses and the social economy business models, where social economy emerges as new and potential business partner.⁴⁰

Business intermediaries, such as clusters, business support organisations, chambers of commerce, incubators, extra- or *intrapreneurs*⁴¹, play a decisive role in facilitating such spill-overs. This happens both through systemic change at company level and by creating

³⁶ [IFC](#) (2020). Green bonds represented just 4% of total corporate bonds issued in 2020. In the first half of 2019, Europe accounted for 48% of the global green bond market.

³⁷ European Venture Philanthropy Association (2017)

³⁸ [Stanford Social Innovation Review: How to Mainstream Impact Investing in Europe, 2019](#)

³⁹ SWD(2020) 98 final

⁴⁰ [Social-Tech Entrepreneurs: Building Blocks of a New Social Economy, Stanford Social Innovation Review, Calderini, Chiodo, Gerli, Pasi, \(2021\)](#)

⁴¹ <https://ec.europa.eu/docsroom/documents/36684>

structured collaborations through networks for systemic impacts. Moreover, public private partnerships are crucial to make the local economy benefitting from these spill-over effects of social innovations. This might leverage a new avenue in terms of investment and tri-partite partnerships bringing together public bodies, social economy and mainstream businesses.

Against this background, a modernisation effort is required to scale and reach full potential of the social economy business models as a vector for recovery and ensure that the diverse subsets of this industrial ecosystem become more resilient to future shocks. Strategic support and joint action should be directed to: (i) stepping up operational capacity in terms of entrepreneurial and business professionalisation and investment readiness; (ii) access to funding and investment, adapted to the specificities of the social economy business models; (iii) access to markets and new sectoral value chains, especially at local and regional level; (iv) innovation uptake and ability to respond to market trends (e.g. material innovation, sustainable product design, service innovation) and (v) new business models such as social franchising, cooperative platforms, clusters, social-tech hubs and collaborative platforms rooted in the social economy.

Stakeholders’ input during the preparation of the action plan, as well as during the evaluation of the Social Business initiative, echoed similar challenges and trends.⁴² This was further endorsed by the recommendations of the Mannheim Declaration on social economy, presented in May 2021.⁴³

Presented in the context of the EU industrial strategy and pursuing its objectives, the transition pathway will support the implementation of the action plan, regarding boosting the social economy post-COVID. The aim of this consultation is to build on the actions announced in the action plan, to facilitate their implementation while also, through a targeted consultation with stakeholders, engage in an in-depth analysis, in order to identify concrete issues, joint solutions and mobilise commitments that this industrial ecosystem could consider to become more resilient.

N.B. List of proposals non exhaustive

Issues	Possible division of roles	Possible scenarios for 2030
A business environment effectively enabling innovation, professionalisation and skills	Commission could focus on the following priorities: - framework for social economy business models in the EU Member States (Council	A significant share of social economy entities in the EU reach operational maturity and a higher degree of professionalisation

⁴² See SWD (2021) 373, chapter 4.8, 4.12, 4.15 & 4.9, highlighting the following: (i) lack of initiatives aiming to develop social entrepreneurs’ managerial and digital skills, (ii) difficulty in scaling up and mainstreaming social innovations, (iii) lack of incentives for private procurement from social enterprises, (iv) lack of awareness on the role of the Social Economy sector in local communities, (v) small and local social enterprises struggle to access the resources they need.

⁴³ Mannheim Social Economy Summit: [Mannheim-Declaration.pdf \(euses2020.eu\)](#): Recommendations (iv) access to finance, investment and recovery, (v) better access to markets, (vi) networks and cross-sectoral partnerships, (vii) social innovation (viii) and training, education and workforce development.

<p>development, start-up & scale up, networking.</p> <p>Action plan for the social economy, section 4.1 and 3.1, including Council Recommendation on framework conditions for social economy business models in the EU Member States.</p>	<p>Recommendation on framework conditions)-business support: start-up and incubation activities (e.g. Single Market Programme) and business networking at EU level (e.g. Enterprise Europe Network and clusters); social economy business modelling and impact measurement</p> <ul style="list-style-type: none"> - intelligence on social economy business models for policy development - skills: provide technical support and facilitate launch of large structured stakeholder partnership under the Pact for Skills; skills alliances and Blueprint for sectoral cooperation on skills (Erasmus+); promote social economy business model in education (Erasmus+) <p>MS/Regions:</p> <ul style="list-style-type: none"> - framework: embed social economy in Smart Specialisation Strategies, as relevant (ERDF) - business support: promote local business clusters with participation of social economy; professionalisation and capacity building schemes, as well as start-up and scale-up support through impact hubs (ESF+, ERDF); staff exchange mechanisms between social economy and mainstream businesses (“<i>mécénat de compétences</i>”) - skills: address and forecast skills needs in local social economy; facilitate skills cooperation partnerships for social economy under the Pact for skills <p>Ecosystem stakeholders:</p> <ul style="list-style-type: none"> - business support: join clusters of local enterprises - skills: subscribe to skills alliances and the structured partnership under the Pact for skills - business incubators: integrate social economy entities among recipients of support 	<p>Broader take-up of the social economy business models</p> <p>Large scale partnerships on skills cooperation amongst social economy actors in all EU Member States.</p>
<p>Impact investing is still in development phase and is mostly limited to a national, regional or local scale.</p> <p>Action plan for the social economy, section 4.2,</p>	<p>Commission could focus on the following priorities:</p> <ul style="list-style-type: none"> - support impact investment in social economy, public-private partnerships⁴⁴ addressing investment needs of social enterprises and improve access to funding⁴⁵. - enabling conditions for philanthropy and foundations <p>MS, Regions:</p> <ul style="list-style-type: none"> - promote awareness of EU funding 	<p>Size of social outcome market and impact investing for social purposes in the EU is higher than current level (EUR 767 million)</p> <p>Level of participation by foundations in EU risk sharing instruments is increased.</p> <p>Public-private partnerships</p>

⁴⁴ Such as the [Social Impact Accelerator](#)

⁴⁵ For a detailed overview see SWD (2021) 373

<p>including improving access to funding</p>	<p>instruments relevant to the green and digital transitions, including InvestEU</p> <ul style="list-style-type: none"> - scale up impact investment in social economy through tailored financial instruments (national Social Impact Accelerators) - promote⁴⁶ the use of impact measurement tools for financial institutions and adapt those to new trends in social finance <p>Ecosystem stakeholders:</p> <ul style="list-style-type: none"> - make use of EU and European Investment Fund funding instruments, including InvestEU - social impact investors and financial intermediaries to unleash potential of blended-value, patient capital to the advantage of social enterprises. - step-up investment readiness - share data and best practices 	<p>addressing investment needs of social enterprises exist in all EU Member States (national Social Impact Accelerators)</p>
<p>Lack of public investment in social economy entities and start-ups, as well as social infrastructure.</p> <p>Action plan for the social economy, section 4.2 & 4.3</p>	<p>Commission could focus on the following priorities:</p> <ul style="list-style-type: none"> - access to funding: improve access to information on EU funding (Social economy Gateway); - further promote responsible public procurement in EU Member States and Commission purchases; - boost investment in social infrastructure (Invest EU, Renovation Wave, Affordable Housing Initiative, European Urban Initiative, New European Bauhaus, Recovery and Resilience Facility). <p>MS/Regions:</p> <ul style="list-style-type: none"> - access to funding: inform about funding opportunities at national and local level and support social economy in recovery funds (incl. Recovery and Resilience Plans). - increase public investment in social infrastructure (European Regional development Fund, national funds) - use available funding under ERDF for supporting competitiveness of SMEs including start-ups <p>Ecosystem stakeholders:</p> <ul style="list-style-type: none"> - make use of EU funding programmes. - engage actively in building innovative partnerships, e.g. on sustainable private procurement, local impact investment and alternative social finance such as crowdfunding platforms. 	<p>Improved support for social economy business models under different EU funding instruments and national and regional funding programmes compared to MFF 2014-2021.</p> <p>Social clauses could be regularly introduced in public procurement by competent public authorities at all levels.</p> <p>Investment gap in social infrastructure is lower than current level (EUR 192 billion euros per year)</p>

Despite these pioneering actors, several challenges remain to scale innovations on the market and across regions. Limited operational and financial capacity⁵³ to respond to emerging market openings and consumer demands, and lack of necessary technical skills to scale green business innovations are barriers hampering social enterprises to scale.⁵⁴ The increasingly competitive nature in several markets– notably with respect to waste management and recycling - are putting additional pressure on established social economy models. Moreover, legislative frameworks are not always adapted to the specific (decentralised) business and governance models of social economy players, for instance in highly regulated economic sectors such as energy and waste management.⁵⁵

From an investment point of view, social entrepreneurs in green start-ups face challenges in their interaction with investors (e.g. finding pertinent investors, clearly conveying their business model or product/service). Moreover, in cases where not only products and services are new, but the market itself (e.g. emissions trading, supermarkets without packaging, car-sharing), the advantages of their business model is not fully understood in a ‘risk-averse’ investment context. There is an increasing need for policy makers, investors, financial institutions to fully grasp the advantages and specificities of the social economy business models and bridge the investment gap social enterprises are facing.⁵⁶ The question of ‘impact measuring’, the requirement to provide evidence of the environmental and social impacts and sustainability of activities to customers, procurers of services or investors, is increasingly critical in this regard. The use of sustainability indicators for social enterprises needs to be developed along related impact measurement tools such as “social accounting” and “social auditing”, as part of the EU Sustainable Finance Strategy.⁵⁷ The creation of labels, standards and certification schemes might further support this ambition by focussing on social /societal, climate and environmental impacts at the business level, as well as green, inclusive, affordable and accessible standards at products and services level.

Sustainable public procurement is another potential market where social economy entities contribute to the EU's ambition to become the first climate-neutral continent by 2050. The public procurement rules, reviewed in 2014, create many opportunities for public authorities, at all levels, to use their purchases to achieve environmental protection and social inclusion. Many actors in this ecosystem lead the way, but more can be done in this regard, such as awareness-raising and capacity-building schemes for public procurement authorities and social economy actors alike.

The green transformation of this ecosystem is not only a matter of entrepreneurial behaviour. It cannot be separated from civil society engagement and provision of essential services.

⁵³ Green start-up finance – where do particular challenges lie?, Bergset (2017)

⁵⁴ <https://www.rreuse.org/wp-content/uploads/04-2021-job-creation-briefing.pdf>

⁵⁵ Regulatory challenges and opportunities for collective renewable energy prosumers in the EU (2019)

⁵⁶ Mannheim Social Economy Summit: [Mannheim-Declaration.pdf \(euses2020.eu\)](#)

⁵⁷ https://ec.europa.eu/info/publications/210712-sustainable-finance-platform-draft-reports_en

Social economy stakeholders drive experimenting at the local level, provide innovative services (i.e. housing, training), develop new modes of participatory governance, grassroots initiatives and community action, as well as support local and regional public initiatives (i.e. in relation to the New European Bauhaus initiative, the European Urban Agenda for the EU, Community-Led Local Development and the Affordable Housing Initiative). Public-private partnerships engaging civil society and businesses at the local level are essential for a just green transition, as they strengthen the social tissue, deliver regenerative solutions and foster new business opportunities.

Reinforcing such partnerships with mainstream businesses, along green value chains and public-private partnerships (i.e. public authorities, research institutes, industry and social economy) can boost green territorial transition. Clusters of social and ecological innovation⁵⁸ can pool resources and drive such forms of collaboration through digital, technological, process, product and service innovations, but need support to expand their activities outside their own region.

Addressing the diverse greening needs within the ecosystem

Different ecosystem actors are lagging behind and there is still scope for innovative redesigning of products, services and business processes in order to minimise the use of fossil energy and natural resources, and reduce waste and pollution. Social economy actors generally face investment and operational constraints, but also lack green skills.

Another key aspect for the green transition of the ecosystem is energy poverty and the backlog in greening social infrastructure⁵⁹, which many social economy actors use or own to run their economic activities (education, lifelong learning, social housing, care and health). A new initiative under the Renovation Wave⁶⁰ is the Affordable Housing Initiative (AHI), which seeks to pilot 100 lighthouse renovation districts and support investments in sustainable affordable and social housing by Member States, regions and cities.⁶¹ AHI will also contribute to the New European Bauhaus, as it seeks to fulfil community needs and participatory models for renovation and regeneration projects in line with the European Green Deal objectives. Synergies also exist with the Smart Cities Marketplace⁶², which is mentioned both in the Action Plan⁶³ of the Renovation Wave⁶⁴ and the Implementation Plan of the Mission on

⁵⁸ <https://clustercollaboration.eu/social-economy> and *PTCE*, Labo de L'ESS (2020)

⁵⁹ Boosting investment in social infrastructure in Europe, Report of the High-Level Task Force on Investing in Social Infrastructure in Europe (2019)

⁶⁰ https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/renovation-wave_en

⁶¹ [Homelessness, Housing and energy poverty in the European Recovery](#) (2021)

⁶² <https://smart-cities-marketplace.ec.europa.eu>

⁶³ https://eur-lex.europa.eu/resource.html?uri=cellar:0638aa1d-0f02-11eb-bc07-01aa75ed71a1.0003.02/DOC_2&format=PDF

⁶⁴ https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/renovation-wave_en

Climate-Neutral and Smart Cities⁶⁵, and is linked with the New European Bauhaus. Such initiatives are key for making the green transition not only sustainable but also just and participatory for proximity and social economy actors.

The public stakeholder consultation of the Commission during the preparation of the action plan, as well as the evaluation of the Social Business initiative, echoed similar challenges and trends.⁶⁶ These aspects were equally confirmed by the recommendations of the Mannheim declaration on social economy.

Addressing the challenges and opportunities mentioned above will enable European social economy entities to fully contribute to the European Green Deal objectives, as sustainable and climate-neutral businesses, alongside traditional and mainstream business models.

Presented in the context of the EU Industrial Strategy and pursuing its objectives, the transition pathway will support the implementation of the action plan. The aim of this consultation is to build on the actions announced in the action plan regarding the role of the social economy as agent for the green transition and to facilitate their implementation, while also, through a targeted consultation with stakeholders, engage in an in-depth analysis in order to identify concrete issues and joint solutions and mobilise commitments that this industrial ecosystem could consider to further boost its contribution to the green transition.

N.B. List of proposals non exhaustive.

Issues	Possible division of roles	Possible scenarios for 2030
<p>Leveraging the social economy business model for a just green transition.</p> <p>Insufficient innovation uptake, operational (skills) and financial capacity of social and proximity enterprises to green their operations and lead green innovation</p>	<p>Commission could focus on the following priorities:</p> <ul style="list-style-type: none"> - technical assistance: support green cross-regional incubators networks (EREK), mutual learning and exchange of best practices (Circular Economy Stakeholder Platform); Pact for skills <p>MS/Regions:</p> <ul style="list-style-type: none"> - create favourable environment for green innovation uptake by social enterprises and SMEs in proximity economy - develop investment readiness programmes to support green innovators and entrepreneurs in 	<p>Social enterprises expand and innovate their business models in green transition markets (e.g. energy cooperatives in renewable energy sector).</p> <p>The recycling and reuse sector in social economy approaches its employment potential of 800 jobs/10,000 tonnes⁶⁸ material collected for disadvantaged persons.</p>

⁶⁵ https://ec.europa.eu/info/research-and-innovation/funding/funding-opportunities/funding-programmes-and-open-calls/horizon-europe/missions-horizon-europe/climate-neutral-and-smart-cities_en

⁶⁶ See SWD (2021) 373, chapter 4.14, highlighting the following: (i) lack of visibility of the role and potential of the Social Economy model in the green transition, (ii) lack of convergence between green and social objectives, (iii) lack of equal footing of environmental, social and employment sectors when setting ambitious EU-level targets for the circular economy, (iv) the Social Economy sector is not mainstreamed within circular policies, (iv) lack of investment in capacity-building of social economy entities and public authorities in the green context.

<p>Disparate performance in terms of green business models within the ecosystem</p> <p>Action plan for the social economy, section 4.1, 4.2 & 4.4</p>	<p>social economy (i.g: ESF+ ERDF, National Recovery & Resilience Plans)</p> <p>Ecosystem stakeholders:</p> <ul style="list-style-type: none"> - make use of EU funding opportunities⁶⁷ - present pledges (i.e. decarbonisation targets); join Green consumption pledge initiative launched by the Commission - training of staff 	<p>Social economy actors active in recycling of textiles approach the local re-us potential of 5% - 15%⁶⁹</p>
<p>Accessing emerging green markets and sustainable public procurement</p> <p>Action plan for the social economy, section 3.3</p>	<p>Commission could focus on the following priorities:</p> <ul style="list-style-type: none"> - public procurement: raise awareness and facilitate exchange of good practices for public buyers and social economy actors (e.g. guidance, training, support tools); - monitor trends in mainstream economy of relevance to social economy (e.g. <i>Certified B Corporation movement</i>, <i>social intrapreneurs</i>, circular and green economy) and facilitate matching partnerships <p>MS/regions/cities:</p> <ul style="list-style-type: none"> - national or regional strategies promoting the use of sustainable public procurement; <p>Ecosystem Stakeholders:</p> <ul style="list-style-type: none"> - develop staff skills to bid for tenders and set-up models of cooperation for joint bids (e.g. clusters and temporary sectoral partnerships) 	<p>Increased share of public procurement in Europe delivered by social enterprises with green products or services.</p> <p>Social economy business model is better integrated in green and circular value chains</p>
<p>Energy poverty and annual investment gap of EUR 57 billion in social housing, EUR 192 billion annual investment gap in social infrastructure</p> <p>Action plan for the social economy, section 4.3</p>	<p>Commission could focus on the following priorities:</p> <ul style="list-style-type: none"> - Affordable Housing Initiative and Urban Agenda for the EU to deliver on investment in social and affordable housing - technical work on the social taxonomy concept to facilitate investment in social sustainability and publish a report on the provisions required for a social taxonomy⁷⁰, as required by the Taxonomy Regulation. <p>MS/regions/cities:</p> <ul style="list-style-type: none"> - set-up project pipelines combining EU funds (e.g. Recovery & Resilience Facility and cohesion) with national, regional and private 	<p>Deliver 100 affordable housing districts by 2030.</p> <p>Decrease of the annual investment gap in social infrastructure.</p> <p>Social economy actors have improved the energy efficiency of their infrastructure (i.e. Renovation wave)</p>

⁶⁸ <https://www.rreuse.org/wp-content/uploads/Final-briefing-on-reuse-jobs-website-2.pdf>

⁶⁷ For example EU funding which can be deployed for greening and digitising the ecosystem (ie: ESF+, ERDF, EAFRD, LIFE, InvestEU, Single Market Programme). For a detailed overview see SWD (2021) 373

⁶⁹ https://www.rreuse.org/wp-content/uploads/RREUSE-Textile-Vision-2019_FINAL.pdf

⁷⁰ https://ec.europa.eu/info/publications/210712-sustainable-finance-platform-draft-reports_en

	<p>funding.</p> <ul style="list-style-type: none"> - investment in affordable housing under European Regional development Fund and national funds - mobilise models of citizens' investment in local social infrastructure. <p>Ecosystem Stakeholders:</p> <ul style="list-style-type: none"> - make use of InvestEU possibilities to invest in sustainable infrastructure under the Social Investment and Skills Window - develop cross-sectoral partnerships for social infrastructure (e.g. engaging construction, social housing, public authorities and renewable energy sector) 	
<p>Engagement models for civil society, social and proximity economy actors to develop <i>Local Green Deals</i></p> <p>Action plan for the social economy, section 4.3</p>	<p>Commission could focus on the following priorities:</p> <ul style="list-style-type: none"> - foster participation of civil society and social economy in Local Green Deals⁷¹ (e.g. ESF+, Europe for Citizens, Solidarity Corps, the European Urban Initiative, Intelligent Cities Challenge, New European Bauhaus initiative) - promote green digital solutions at local level for example through the Living-in.eu and the Intelligent cities communities and the Climate Neutral Cities Mission under Horizon Europe⁷² <p>MS/Regions/cities:</p> <ul style="list-style-type: none"> - promote community engagement in local green transition and urban development, e.g. through dedicated citizens fora and engagement models such as the New European Bauhaus, the Bologna Regulation⁷³, the New Leipzig Charter: The transformative Power of cities for the common good.⁷⁴ <p>Ecosystem Stakeholders:</p> <ul style="list-style-type: none"> - social enterprises engage with civil society organisations and local governments to demonstrate The social economy business case for the green transition (e.g. energy cooperative model) and contribute to a just transition for all. 	<p>Increase of community-based social enterprises active in ecological transition (i.e. rural areas, cities).</p> <p>Strong proximity and social economy presence in New European Bauhaus projects supported by the Commission and at grassroots level.</p> <p>European cities will be the main driver for climate neutrality, Local Green Deals, involving social economy stakeholders alongside local businesses and citizens.</p>

Questions to ecosystem stakeholders for the targeted engagement :

⁷¹ [A blueprint for cities to make the most of the EU Green Deal](#)

⁷² Zero Pollution Action Plan, flagship 7, ‘Living Labs for green digital solutions and smart zero pollution’

⁷³ [The City as a commons, Regulation on collaboration between citizens and the city](#)

⁷⁴ The [New Leipzig Charter](#) provides a policy framework for sustainable urban development in Europe.

- What output scenarios for 2030 would benefit the development of a green proximity and social economy industrial ecosystem, in line with the priorities of the EU Industrial Strategy and the social economy action plan?
- What are the main challenges to ensure the green transition of this industrial ecosystem, as part of this pathway? Can you provide relevant data or evidence?
- On which challenges are you ready to work jointly with other stakeholders for the green transition of this industrial ecosystem, as part of this pathway?
- What pledges and/or actions towards the green transition of the ecosystem, do you intend to present, as part of this pathway?

Digitalising the ecosystem

Technology reinforces the economic sustainability of social entrepreneurship models, and often paves the way for greater balance between social and business logic.

Social economy entities are generally characterised by a low digitalisation level. Aside from their own capacity their digital uptake is dependent on territorial conditions such as connectivity, especially in remote and rural areas.⁷⁵ At the same time, pioneers in the social economy bring innovative potential in the digital market by developing new markets and alternative models for mainstream technologies. Moreover, some social economy actors increase availability, accessibility and take up of breakthrough technologies, often leading to the emergence of new business models, for instance social-tech ventures,⁷⁶ addressing new social needs and challenges for which there is high market potential.

The ecosystem as driver for human-centric and inclusive technology

Digital pioneers within this ecosystem develop technology and digital services, for example in areas such as decentralised platforms (e.g. platform coops, crowdfunding platforms and local collaborative platforms), assistive technologies, artificial intelligence, robotics, Distributed Ledger Technology (e.g. blockchain), local data platforms and ‘digital twins’. Moreover, the service model to support vulnerable groups by offering digital skills and training for social-tech entrepreneurs grew within the social economy.

A similar niche of open or shared tools, technology and data for starting and small entrepreneurs, citizens and localities, is growing since COVID-19. Such an enabling

⁷⁵ Community and bottom-up networking: where communities of citizens can build, operate and own open IP-based networks, as complementary solutions to commercial access networks from either commercial telecom companies or by local public providers. EU funded examples: Confine and BuB for Europe (Bottom-up Broadband).

⁷⁶ [Social-Tech Entrepreneurs: Building Blocks of a New Social Economy, Stanford Social Innovation Review, Calderini, Chiodo, Gerli, Pasi, \(2021\)](#)

environment for digital social innovators and ‘TechforGood’ solutions is key for the digital transition of the ecosystem.

The presence of ‘technology or digital enablers’ or intermediaries in the ecosystem offering adapted and tailored technology solutions, and training is equally important in this context. These ecosystem-specific accelerators make technology solutions accessible and available in an affordable, open or shared manner and design technology that helps to pursue the social societal or ecological mission of social economy.

Scaling up the digital transition of the ecosystem can bring several opportunities:

1. Efficiency gains and scaling of existing solutions
2. Improved or new services and products enabling new entrepreneurial approaches to societal challenges, access to new markets and sectoral value chains
3. Adapted solutions based on an online enabling shared technology environment with local technology deployment (‘design global produce local’).
4. Access to tailored training for social economy entities, also for those in remote areas.
5. Better outreach and engagement models with citizens and consumers accelerated by new technologies.

Enablers and accelerators for the digital transition of the ecosystem

The COVID-19 crisis made the digital divide within the ecosystem more visible. Many ecosystem stakeholders require initial investment in basic digital capacities in terms of technology uptake and skills.⁷⁷ At the same time, the pandemic accelerated the trend towards digitalisation of the social economy, as for the rest of the economy⁷⁸, and several subsets of the ecosystem increased their digital offer and outreach (i.e. agri-coops, social service and care providers, social tech developers).⁷⁹

The digital transition of the ecosystem should overcome barriers and challenges in four key areas:

1. Training and skills are most critical for the digital transition. First, professional training programmes are not broadly accessible, whether for basic digital competences or advanced technology development.⁸⁰ Second, specific curricula and training modules focussing on practices such as “TechforGood” development and digital social innovation are not mainstreamed in universities and technology schools. Third, technology training and development to foster social inclusion (e.g. young persons not in Employment, Education or Training NEETs elderly persons, persons with a migrant background, persons with disabilities, etc.) is a unique business model developed by

⁷⁷ OECD (2020)

⁷⁸ As social economy knows many micro-sized enterprises scattered in the territory, official data and detailed knowledge about their digitalisation needs and efforts is fragmented per sub-sector or type.

⁷⁹ CECOP, [position paper on Industry update](#) (2021)

⁸⁰ CIRIEC (2019)

the social economy, which can be scaled-up and disseminated,⁸¹ but whose potential remains untapped especially in disadvantaged or remote areas.

2. Access to affordable, adapted and open/shared advanced technology and off-the shelf IT solutions. Several examples of ‘TechforGood’ applications are developed within the social economy such as assistive technologies⁸², AI⁸³, DLT/ blockchain⁸⁴, and use of Big Data⁸⁵. These might be pushed by open and shared standards resulting in more business opportunities (B2G, B2B, B2C). However, knowledge, access, adaptability and interoperability remain barriers.⁸⁶ Local Digital Twins⁸⁷ can help develop local actors in proximity economy.
3. Social economy actors are increasingly present in the platform economy, such as platform cooperatives, civic or impact (crowd) funding platforms, community platforms and collaborative platforms.⁸⁸ Their business models are mostly designed in a decentralised manner, which requires investment in operability, scaling and visibility.
4. Data processing, management and collection are not widespread practices within the social economy. Nevertheless, the ecosystem has a strong and pioneering open data movement with a social, ecologic or civic purpose.⁸⁹ Still, investment in decentralised storage/cloud infrastructure, as well as the appropriate skills for data management and analysis, are needed to enable ecosystem actors to access data flows, in particular between businesses and governments. Furthermore, interoperability is key to accessing and sharing data between and among public and private actors as it is addressed in the proposal for a European Interoperability framework for cities and Communities.⁹⁰

⁸¹ Pioneering social economy entities have built-up a digital training model (mainly coding schools) targeting NEETS in disadvantaged neighbourhoods.

⁸² E.g. Robotics, augmented reality, laser technology, language technology, AI, can help employees with disabilities in the effectuation of their tasks.

⁸³ E.g. platforms for circular industrial activities

⁸⁴ E.g. Applied for transparency of value chains in food and textiles, forecasting up and reskilling needs, energy efficiency, distribution and pricing in energy coops, platforms for circular green industrial activities, green manufacturing, smart and clean farming, smart teaching, etc. and the 2020 EIC Prize on Blockchains for Social Good.

⁸⁵ E.g. forecasting certain social needs (homelessness, unemployment, foodbank consultations, etc.)

⁸⁶ New technologies and digitisation: opportunities and challenges for the social economy and social enterprises, European Commission (2020)

⁸⁷ E.g. Local Digital Twins can change the way cities are planned, operated, monitored and managed towards making cities and communities smart, sustainable and resilient. Importantly, Local Digital Twins facilitate citizen engagement for participatory urban planning and management.

⁸⁸ [Platform cooperatives](#), Eurfound (2020) e.g. meal delivery, shared mobility, taxi, short chain agriculture ([Platform Cooperativism Consortium](#))

⁸⁹ COM(2020)66 final

⁹⁰ <https://digital-strategy.ec.europa.eu/en/news/proposal-european-interoperability-framework-smart-cities-and-communities-eif4scc>

The public stakeholder consultation of the Commission during the preparation of the Action Plan on social economy, as well as the evaluation of the Social Business initiative, confirmed similar challenges and trends.⁹¹ These aspects were equally endorsed by the recommendations of the Mannheim Declaration on social economy.

Presented in the context of EU Industrial Strategy and pursuing its objectives, the transition pathway will support the implementation of the action plan. The aim of this consultation is to build on the actions announced in the action plan regarding the digital transition of the social economy and to facilitate their implementation, while also, through a targeted consultation with stakeholders, engage in an in-depth analysis in order to identify concrete issues and joint solutions and mobilise commitments that this industrial ecosystem could consider to accelerate its digital transition.

N.B. List of proposals non exhaustive.

Issues	Possible division of roles	Possible scenarios for 2030
<p>Low level of digitalisation of social economy entities</p> <p>Action plan for the social economy, section 4.3</p>	<p>Commission could focus on the following priorities:</p> <ul style="list-style-type: none"> - business support for digital transformation: access to finance, test-before-invest and training, capacity building (e.g. network of European Digital Innovation Hubs (EDIH), Digital Europe Programme, Single Market Programme)⁹². - Pact for Skills focussing on digital skills - Digital Education Action Plan <p>MS/regions/cities:</p> <ul style="list-style-type: none"> - use possibilities for funding under ERDF for ICT uptake in SMEs including infrastructures and services to support this - dedicated programs focusing on digital skills in this ecosystem (both in formal and in non-formal education) - experimentation with collective learning (technology, enterprises and research) <p>Ecosystem Stakeholders:</p> <ul style="list-style-type: none"> - digital training and upskilling/reskilling programs of the workforce 	<p>As highlighted in the targets of Path to Digital Decade:</p> <ul style="list-style-type: none"> - At least 90% of all EU SMEs reach at least a basic level of digital intensity - 75% of EU companies using Cloud/AI/Big Data - Social economy relevant KPIs integrated in Local and regional Digital Indicators (LORDI, Living-in.EU movement)

⁹¹ See SWD (2021) 373, chapter 4.13, highlighting the following: (i) lack of digital skills in the Social Economy sector, (ii) the digital gap has been reinforced during the COVID-19 crisis, (iii) many social enterprises are yet to undergo digital transformation as they lack expertise in digitalisation, (iv) the value of technology is still under-appreciated in the process of developing and scaling-up innovation (v) lack of visibility of the role of the Social Economy sector in digital education and the digital economy

⁹² The JRC [catalogue](#) of Digital Innovation Hubs registers 110 fully operational DIHs and 19 candidate EDIHs that claim to provide services to the "Community, social and personal service activities" sector.

<p>Marginal investment and public-private partnerships in R&I and deployment of ‘TechforGood’</p> <p>Low digital innovation uptake by businesses as well as limited number of new social tech entrepreneurs.</p> <p>Lack of promotion and best practice sharing to support digital social innovations and TechforGood</p> <p>Action plan for the social economy, section 4.3 & 4.4</p>	<p>Commission could focus on the following priorities:</p> <ul style="list-style-type: none"> - R&I and technology support for social tech start-ups (Horizon Europe & Digital Europe); Digital Innovation Hubs, EEN, European cluster cooperation platform. - promote TechforGood amongst proximity and social economy actors and showcase relevant collaborative solutions (e.g. EU TechforGood marketplace)⁹³ - building of a Europe-wide constituency of digital social innovators, by interconnecting initiatives and resources (also using the European Digital Innovation Hubs that have social economy in their focus). <p>MS/Regions/Cities:</p> <ul style="list-style-type: none"> - support interoperable, customised and modular services and applications based on open- source, access and hardware potentially linked with (public) federated platforms. - facilitate local spaces for peer technology learning engaging R&I and universities: innovation labs, fablabs maker spaces, third spaces, civic labs, hackerspaces which present an opportunity to activate networks and to create collaborative work environments <p>Ecosystem Stakeholders:</p> <ul style="list-style-type: none"> - engage with intermediaries developing open and shared social tech. - invest in joint business tech development programs at local level by pooling resources and knowledge (e.g. through setting up clusters). - tech-transfer practices and partnerships between universities and businesses, boosting the emergence of social-tech entrepreneurial ecosystems. 	<p>Diverse, accessible and interoperable shared technology serving different subsectors of the ecosystem (e.g. platform coops).</p> <p>A considerable increase of social tech enterprises and scaled-up TechforGood ventures.</p> <p>A dedicated EU community of practice to share knowledge on TechforGood solutions at EU level, based on the Digital Innovation Hubs network.</p>
<p>Lack of visibility and slow scaling up of social economy business models in the platform economy</p> <p>Action plan for the social economy, section 4.3, 4.4 & 5</p>	<p>Commission could focus on the following priorities:</p> <ul style="list-style-type: none"> - support the development of alternative (e.g. decentralised, cooperative, community)⁹⁴ platforms and technology that is participatory, community-developed and owned⁹⁵ 	<p>Growth in social economy on-line platforms operating across borders (e.g. European cooperative society), resulting in a strong multiplier effect within Member states.</p>

⁹³ [Home - 100 Intelligent Cities Challenge Marketplace](#)

⁹⁴ E.g. the EU project [DECODE](#).

⁹⁵ E.g. the [Collective Awareness Platforms for Sustainability and Social Innovation programme](#)

	<p>– monitor and facilitate social economy platforms in the work carried out by the EU observatory on platforms</p> <p>MS/Regions/cities</p> <ul style="list-style-type: none"> - ensure level playing field for social economy platforms and business models (e.g. energy sector⁹⁶). - public policies support demand for innovations among consumers and citizens, and incentivize the provision of platform (and other technology) solutions that respond to societal challenges. <p>Ecosystem Stakeholders:</p> <ul style="list-style-type: none"> - cross-border cooperation to share decentralised technology solutions for platforms; joint business ventures 	
<p>Lack of data sharing among players to support data enabled solution.</p> <p>Data management and access is not a natural business activity for most actors in this ecosystem.</p> <p>Action plan for the social economy, section 4.3</p>	<p>Commission could focus on the following priorities:</p> <ul style="list-style-type: none"> - facilitate access for ecosystem stakeholders to relevant European data spaces (health, mobility, smart communities) through the Digital Europe Program - promote through the European Strategy for Data wider accessibility of data and enabling data flows between businesses and governments - facilitate stakeholder cooperation on a Code of conduct/Charter on data use in social economy <p>MS/Regions/cities:</p> <ul style="list-style-type: none"> - connect social economy entrepreneurs and organisations with local data hubs and/or national and sectoral data spaces <p>Ecosystem Stakeholders:</p> <ul style="list-style-type: none"> - develop interoperable data exchange formats in cooperation with the EU data space, in particular climate neutral and smart communities 	<p>Code of conduct on data use in social economy improves data access and sharing within the ecosystem</p> <p>Ecosystem stakeholders are connected to relevant European data spaces (health, mobility) and local data spaces, for example on shared mobility, safety in traffic, social inclusion monitoring.</p>

Questions to ecosystem stakeholders for the targeted engagement :

- What output scenarios for 2030 would benefit the development of a digital proximity and social economy industrial ecosystem, in line with the priorities of the EU Industrial Strategy and the social economy action plan?
- What are the main challenges to ensure the digital transition of this industrial ecosystem, as part of this pathway? Can you provide relevant data or evidence?

⁹⁶ Green energy cooperatives suffered from legislation supporting a central energy provision model

- On which challenges are you ready to work jointly with other stakeholders for the digital transition of this industrial ecosystem, as part of this pathway?
- What pledges and/or actions towards the digital transition of the ecosystem, do you intend to present, as part of this pathway?

IV. SUPPORTING THE ECOSYSTEM TRANSITION AND LONG-TERM HORIZONTAL CHALLENGES

The proximity and social economy industrial ecosystem needs a supportive framework at European, regional and local levels, and a shared commitment from ecosystem stakeholders for its sustainable recovery, long-term resilience and twin transition. This includes cooperation for an enabling regulatory framework, a shared strategy for skills and training, financing of projects and activities, a supportive business environment, improved data and intelligence on trends in the ecosystem and opportunities for scaling-up through transnational networking and cross-sectoral cooperation. These are necessary enablers for the successful transformation of the ecosystem, within the broader framework set out in the Action Plan on social economy 2021-2030, in particular:

Skills & capacity building

The Commission has proposed a “Pact for Skills on P&SE”, as part of the European Skills Agenda.⁹⁷ The Pact seeks to mobilise large-scale partnerships on upskilling and reskilling among the 14 industrial ecosystems identified in the New Industrial Strategy.⁹⁸ Following the organisation of the High Level Roundtable for the P&SE ecosystem in October 2020, the Commission organised experts roundtables during 2021 to identify skills needs and stakeholder interest. On this basis, the Commission has set up a Focus Group of interested stakeholders to facilitate setting up a large scale Partnership for this ecosystem under of the Pact for Skills. This work will build on the Blueprint for Sectoral skills for this ecosystem⁹⁹ and benefit from technical support put in place by the Commission to help leverage EU (ESF+, ERDF) and national funding for upskilling and reskilling in the Member States.

⁹⁷ COM (2020) 274 final

⁹⁸ COM [\(2021\) 350 final](#)

⁹⁹ [Blueprint for sectoral cooperation on skills](#), Currently there is a blueprint on sectoral skills running focussing on Work Integration Social Enterprises (WISEs)

EU Financing of projects and activities

Several EU spending programmes support social economy stakeholders active in this industrial ecosystem to drive social innovation, scale up or cooperate across borders. These opportunities can help build resilience to future shocks and enable the potential of the social economy stakeholders to deliver on a just green transition and step up their digital capabilities.

The Horizon Europe programme¹⁰⁰ plays a key role to respond to this transition by supporting research and innovation and turn them into new market opportunities for social and proximity economy actors. This can for example be promoted by the EU Missions on 100 climate-neutral and smart cities.¹⁰¹

The European Social Fund+ (ESF+) Programme is crucial for most actors in this ecosystem as these funds are additional to their core activity or support necessary capacity building. The new (national) competence centres for social innovation, of which the creation is currently supported by EU funding from ESF+ and the EU programme for Employment and Social Innovation+, support innovation capacities of social economy actors and aspire to become a cradle for new social entrepreneurs. Support can also be given for enhancing the inclusiveness of labour markets and access to quality employment. The European Regional Development Fund (ERDF) is similarly important for supporting social economy at local level¹⁰² and for cross-border cooperation (Interreg) across EU regions as well as with neighbouring countries. The European Regional Development Fund (ERDF) can further provide support for the development and upscaling of social enterprises through developing new business models and innovative solutions to address societal challenges. Moreover, the cohesion policy funds enable necessary investment in social infrastructure, such as social and affordable housing as well as community development, building further on the Community-Led Local Development (CLLD) experience.

Given the strong presence and pioneering role of social enterprises in activities related to the LIFE programme funding areas (nature and biodiversity, circular economy and quality of life, climate change mitigation and adaptation and clean energy transition), it has important potential for social economy in enabling its contribution to the green transition. Moreover, the LIFE Programme will fund initiatives that address both environmental/climate and social aspects, demonstrating the links between social and environmental problems. For the 2021-2027 funding period LIFE will contribute EUR 5.4 billion to the protection of the environment and climate.

¹⁰⁰ [Horizon Europe](#)

¹⁰¹ https://ec.europa.eu/info/sites/default/files/research_and_innovation/funding/documents/ec_rtd_he-missions-cities-call-facsheet.pdf

¹⁰² e.g. by providing support to the competitiveness of SMEs including start-ups, scale-ups, for example through developing new business models and innovative solutions to address societal challenges, to ICT uptake in SMEs, to improving energy efficiency in SMEs and SMEs becoming more circular-

To foster the green and digital transition of social economy active in agri-food sector and rural areas, the European Agriculture Fund for Rural Development offers important opportunities. The programme enables measures that can contribute to the development of social economy in rural area such as investment for farmers and in basic services, diversification and cooperation and the local development method LEADER.¹⁰³ Traditionally social economy and social innovators are present in transnational projects run by the European Network for Rural Development (ENRD). The social economy will also be an important partner for achieving the objectives of the new Common Agricultural Policy, which starts in 2023.

The Single Market Program (SMP) supports a favourable business environment for social economy, through intelligence, exchange programs and capacity building. The Commission intends further investments in the social economy through the SMP by launching calls for proposals to support capacity building of proximity and social economy SMEs in green and digital transition, through transnational cooperation, tailored training programmes and diverse capacity building activities. Also when it comes to social innovation the SMP plays an important role by supporting pioneering social entrepreneurs in the European Social Innovation Competition.

To support the digitalisation of SMEs and the adoption of advanced digital technologies in Europe, the Commission is providing EUR 750 million under the DIGITAL programme for the setup of a network of over 200 European Digital Innovation Hubs (EDIH) spanning the whole EU. Moreover, there is the possibility to receive support for setting up the infrastructure of DIHs and fund the services provided by them with ERDF. The network will provide all businesses, whatever sector or region they are in, including those in the proximity and social economy industrial ecosystem, with the expert digitalisation support they need.

The DIGITAL programme will also set up and validate an EU data spaces. For example the smart communities data space will create a data governance scheme as well as a blueprint that connects existing local data ecosystems and EU systems and enables public and private stakeholders to develop cross-sector, cross-community, data services, including AI-enabled data services. The Commission will also fund 10 to 12 cross-sector data intensive pilots,¹⁰⁴ to validate and refine the blueprint for the smart communities data space.

Lack of access to tailored funding and investment needs not covered by the market were estimated at almost EUR 1 billion per year for social enterprises¹⁰⁵, while in the field of

¹⁰³ « Liaison Entre Actions de Développement de l'Économie Rurale » is a local development method which has been used for 30 years to engage local actors in the design and delivery of strategies, decision-making and resource allocation for the development of their rural areas.

¹⁰⁴ <https://digital-strategy.ec.europa.eu/en/policies/strategy-data>

¹⁰⁵ Social enterprise finance market: analysis and recommendations for delivery options, European Commission (2019)

microfinance¹⁰⁶ the gap was estimated at EUR 12.9 billion per year across the EU. Such investment gap puts the resilience of the ecosystem under pressure. InvestEU has a strong focus on financing investments that have a positive climate and environmental impact as well as a dedicated social enterprises finance focus, building further on the European Fund for Employment and Social Innovation (EaSI) experience. In particular, the Social Investments and Skills Window will be relevant to support further the creation of a social finance market, including impact investment market and alternative social finance such as crowdfunding or the use of and philanthropic capital (endowments as well as programme funding).

A detailed list of EU funding opportunities for social economy under the Multiannual Financial Framework (MFF) is found in SWD (2021) 373.

Lastly, the Recovery and Resilience Facility under the NextGenerationEU will make EUR 672.5 billion in loans and grants available to support reforms and investments undertaken by Member States. Via this facility, several Member States have included specific investments targeting the social economy or certain subsets.¹⁰⁷ However, indirectly many more actions are beneficial for social economy entities, for example in areas such as social and labour market inclusion of target groups and social, care and health services provision, employment and training strategies, local economy support, business development and innovation support, renovation of social housing and social infrastructure and green, climate or circular economy targeting investments.

Leveraging spill-over and reinforcing transnational networking and cross-sectoral partnerships

Networking and peer learning are key features for building a European social economy community. The Commission facilitates networking between European regions and cities eager to share their good practices and cooperate with others. For example:

- Through European Social Economy Regions (ESER) Community, the Commission gives visibility to some 100 regions organising local events and developing good practices on social economy. Through the Social Economy Missions, the Commission is supporting around 30 transnational and interregional ESER exchange projects to develop social economy as an entrepreneurial model contributing to smart, sustainable and inclusive local growth.
- European Macro Regions Strategies¹⁰⁸, Interreg Europe¹⁰⁹ programme and the European Urban Initiative can leverage cross regional social economy networking

¹⁰⁶ Microfinance in the European Union: Market analysis and recommendations for delivery options in 2021-2027, European Commission (2020)

¹⁰⁷ Belgium, Spain, France, Portugal and Romania. This only reflects Members States with an approved Recovery & Resilience Plan.

¹⁰⁸ https://ec.europa.eu/regional_policy/en/policy/cooperation/macro-regional-strategies/

¹⁰⁹ <https://www.interregeurope.eu/>

focusing on cross regional regeneration, community engagement and a regional social economy concept.

- Through the Intelligent Cities Challenge (ICC) the Commission brings together a community of 136 EU cities from 21 countries, representing 34 million EU citizens, and helps them to drive the green and digital transformation of their local economy.
- The Living-in.eu¹¹⁰ community brings together over 100 cities and communities across the EU, to accelerate their digital transformation the 'European way' (citizen-centric approach, ethically and socially responsible data usage, with and engagement of citizens, open and interoperable standards).

As explained in the action plan, more and more businesses are experimenting with sustainable spin-offs and processes and link profit with social and sustainability objectives, leading to more sustainably produced products and services, but also to changing business models and missions. This trend is causing a convergence between so-called 'mainstream' businesses and the social economy business models. The rise of the Certified B Corporation movement¹¹¹ and mission-led enterprises are telling examples. Standards and labels are developed to strengthen this trend and cooperation at EU level could help capture future trends, improve interaction among stakeholders with shared objectives, facilitate a level-playing field in the single market, but also prevent adverse effects such as social and green washing.

Additionally the role of business intermediaries, such as support and sector organisations, chambers of commerce, incubators and *extra- or intrapreneurs*, can play a decisive role in facilitating spill-overs of social and green business ambitions within the mainstream business. In particular, the Enterprise Europe Network (EEN) plays a strong role by providing dedicated Sustainability Advisors and other services to step-up innovation capacity of SMEs, and will for the first time set up a sector working group for social economy.

Improving data and intelligence on the ecosystem

Enhanced efforts are necessary to capture the economic performance of the social economy in business statistics at Member State level and at aggregated EU level (e.g. business statistics). Conventional economic indicators may not always be best suited, as a big part of the social economy's contribution to the economy is provided at below market prices or free of charge or relies on work by unpaid volunteers and intangibles.¹¹² Most reliable economic indicators could include workforce size and composition (paid versus volunteer), sector activities (NACE), sector revenue sources (market sales, contracts with public institutions or

¹¹⁰ <https://living-in.eu/> The aim of Living-in.EU is to work together to scale up the use of data technology to tackle a range of interconnected challenges (e.g. urban mobility, energy efficiency, and digital public services) while ensuring environmental sustainability in line with the European Green Deal.

¹¹¹ Several MS have introduced [legislation](#) (e.g. Italy and France)

¹¹² E.g. social or environmental impacts.

government grants or private donations) and average annual growth of the social economy and broader Third Sector Economy active workforce.¹¹³

Only a few EU Member States have developed on their own initiative satellite accounts for the social economy or non-profit institutions.¹¹⁴ Some Member States voluntarily contribute to gathering data via a pilot programme managed by ESTAT.¹¹⁵ The programme relies on a harmonised methodology consistent with national accounts.¹¹⁶ Additional work is being carried out to exchange information and concrete experiences on the opportunities and challenges of implementing social economy satellite accounts, based on existing practices. At UN level, additional work is being carried out with a specific focus on cooperatives and based on the ILO guidelines on statistics for cooperatives.¹¹⁷

Since the outbreak of the crisis, several initiatives were setup to collect alternative quantitative and qualitative data providing ecosystem intelligence of different subsets and activities. Consequently, the continuation of such exercises – taking into account COVID- 19 lessons – could contribute greatly to EU monitoring of the impact and performance of ecosystem actors.

This ecosystem will be supported by monitoring economic performance in the Annual Single Market Report. This report provides the analytical elements to assess the resilience of the Single Market and will report regularly on key performance indicators on industrial strategy and competitiveness of the 14 identified industrial ecosystems.¹¹⁸ Moreover, the action plan presents actions the Commission intends to undertake to improve data and intelligence about national and regional recognition of the social economy.

N.B.

In this section there are no questions to ecosystem stakeholders. The section covers general points on which the Commission has extensively consulted stakeholders during the preparation of the action plan and takes into account stakeholders' input submitted during this process. The Mannheim Declaration on social economy (May 2021) is also a point of reference for this section.

¹¹³ [The Third Sector As A Renewable Resource for Europe \(2018\)](#)

¹¹⁴ Satellite accounts allow for an additional collection of statistical data on a certain field or aspect of economic and social life in the context of national accounts. Several Member States already have satellite accounts for the social economy. The European [Commission \(EUROSTAT\) provides financial and methodological support to setting up social economy satellite accounts in interested EU countries](#) and EFTA countries.

¹¹⁵ Eurostat awarded grants to volunteering countries, namely Slovenia, Poland, Spain and France

¹¹⁶ The methodology is laid down in the UN methodological handbook 'Satellite Account on Non-profit and Related Institutions and Volunteer Work' available at this [link](#).

¹¹⁷ ILO – [Guidelines on statistics of cooperatives](#)

¹¹⁸ https://ec.europa.eu/info/sites/default/files/swd-annual-single-market-report-2021_en.pdf

V. CONCLUSIONS AND AN INVITATION TO THE STAKEHOLDERS

The proximity and social economy industrial ecosystem represents business models and value chains creating growth measured not solely in terms of financial capital, but also of social capital and contributing to the well-being and sustainability of our societies. This mission may be achieved, only if the different actors of the ecosystem work together towards a shared perspective.

This document aims at working with all relevant stakeholders of the proximity and social economy industrial ecosystem to facilitate the implementation of the EU industrial strategy and the social economy action plan, leading to a greener, digital and more resilient proximity and social economy industrial ecosystem by 2030 and leveraging its full potential to deliver inclusive recovery and a just transition.

Against this background, this document invites stakeholders to reflect and work together and bring forward concrete commitments for action to accelerate the green and digital transition and strengthen the resilience of this ecosystem. This document is the start of the targeted engagement process with stakeholders and will result in a finalised transition pathway during 2022, summarising the joint work with stakeholders and mobilising stakeholders to present commitments and joint actions to boost the resilience and accelerate the green and digital transition of this industrial ecosystem.
