



INVESTMENT SUPPORT FOR ECOSYSTEMS

PROXIMITY AND SOCIAL ECONOMY

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The proximity and social economy is composed of two areas¹, which partly overlap:

- the 'proximity economy' includes services and businesses fostering local and short value chains for mainly local production and consumption.
- the 'social economy', as outlined in the European social economy action plan ², covers entities sharing principles such as the primacy of people as well as social and/or environmental purpose over profit, the reinvestment of most profits to carry out activities in the interest of members or society at large and democratic and/or participatory governance.

The proximity and social economy employs 22.9 million of people and is estimated to represent around 6.5% of EU GDP (EUR 791 billion) ³. The ecosystem includes 3.1 million firms. 99.9% of them are SMEs, including a significant part of micro enterprises and start-ups.

It was amongst the ecosystems most impacted by the COVID-19 pandemic (together with tourism, creative and cultural industries and automotive), in terms of current and expected drops in turnover, with an estimated equity loss between EUR 52 and 87bn.⁴

The ecosystem faces several challenges, one of them being that important investment gaps persist in the different areas of the ecosystem. Investment gaps for social enterprises only (as a subset of the social economy) are estimated at EUR 1bn annually and for microfinance EUR 12.9bn annually.⁵ Important

1 A more detailed explanation is provided in Annex 1.

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

3 SWD (2021) 351 final, Single Market Report. The estimates 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.

4 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. 9.12.2021.

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

in the context of the RRF is the investment gap in social infrastructure: the minimum infrastructure gap in the EU social infrastructure was estimated at 100–150bn annually⁶. These infrastructures are not only broadly used by social economy and proximity actors to perform services (e.g. health, education and life-long training), but also operated and developed, such as for example social housing facilities and long-term care.

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. 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, 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. Social economy actors equally provide essential digital training to target groups and communities, for example to strengthen their position on the labour markets.

The entities within the ecosystem have diverse greening needs. On the one hand, social economy actors generally face investment and operational constraints, but also lack green skills, and large investments are required for the green transition of the social infrastructure. On the other hand, the social economy has been delivering innovative green solutions in many areas such as circular economy, shared mobility services, sustainable housing solutions, low carbon industrial applications and organic agriculture. Also new green business models and “hybrid businesses”, combining sustainable agriculture activity with tourism, leisure, education, work integration or social services, are emerging in this ecosystem.

The proximity and social economy ecosystem and the Recovery and Resilience Facility (RRF)⁷: the recovery and resilience plans are helping the ecosystem to make its green and digital transition and to be prepared for future crises. It includes direct measures for social economy, measures for proximity and measures which are both direct measures for social economy and measures for proximity⁸.

Main figures and findings⁹:

Number of Member States' RRFs analysed: **22 (approved plans)**

11 RRFs include direct measures for social economy and/or measures for proximity:



Those measures can be reforms and/or investments



EUR 5.2bn (1.2% of the total RRF funding) will be directly invested in the ecosystem. It comprises EUR 410m for direct measures for social economy, EUR 968m for the proximity economy and EUR 3.86bn for measures which will benefit both proximity and social economy.

Please note that the figures presented in this fiche are based on GROW tagging methodology and ecosystem definition and take into account the 22 plans approved by the Commission and endorsed by the Council in 2021.

6 Boosting Investment in Social Infrastructure in Europe, Report of the High-Level Task Force on Investing in Social Infrastructure in Europe, European Commission and ELTI, January 2018.

7 Based on the 22 plans endorsed by the end of 2021 (excluding BG, HU, PL, NL and SE).

8 Categories (1), (2), and (3) as described in Annex 1.

9 Based on GROW proximity and social economy ecosystem definition.

Direct measures for social economy include for instance **Spain's** comprehensive plan to boost the social economy, which aims at completing at least 30 social economy projects. Another example is **Romania's** reform to improve the social economy legislation. Its objective is to mobilise the potential of social economy enterprises to innovate and contribute to social and environmental challenges.

Measures for proximity include **Italy's** support to the creation of women's enterprises, which will benefit at least 2400 enterprises (estimated cost: EUR 400m).

Measures for social economy and proximity include a **Portuguese** reform to contract support programmes for disadvantaged communities in metropolitan areas. Another example is Romania's support to the digitalisation of the non-governmental organisations sector. Romania will support the digital transformation of the non-governmental organisations (NGOs), including by giving 200 grants to NGOs to invest in digital infrastructure, digital skills of staff and volunteers, and purchase of equipment (estimated cost: EUR 10.3m).

Investments and reforms for social economy and proximity contribute to reinforcing the resilience of the ecosystem and of the economy and society. They do so by facilitating the development of services and businesses, which contribute for instance to the integration of vulnerable groups or to the provision of services in isolated areas.

In addition, investments for social economy and proximity contribute fully or partly to the climate and/or digital objectives. An example of measures which contribute to the climate objective is the creation of childcare facilities, with buildings that are energy efficient. The **Czech Republic** will establish at least new 391 nurseries by constructing new highly energy-efficient buildings and renovating existing buildings to increase their energy efficiency. An example of measure which contributes to the digital transition is the **Belgian** project for the E-inclusion. This project will allow to attribute 15 grants to support the digital inclusion of vulnerable groups (estimated cost: EUR 30m).

When taking into account measures which will indirectly benefit social economy, such as measures for social services, social housing, business and innovation support, estimated costs of the investments are much higher (EUR 19.35bn, i.e. 4.3% of the total RRF funding) than when taking into account direct measures only¹⁰. 19 RRP's include direct and indirect measures for the ecosystem (AT, BE, CY, CZ, DE, ES, FI, FR, EL, HR, IE, IT, LU, LT, LV, PT, RO, SI, SK).

ANNEX I – Description of the Ecosystem

In line with the Annual Single Market Report 2021 (SWD(2021)351), the proximity and social economy is composed of two areas, which partly overlap:

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

RRP measures relevant for the ecosystem have been classified as:

- (1) Measures which are directly contributing to social economy (RRPs examples: plan to boost social economy, reform to improve the social economy legislation).
- (2) Measures for proximity (RRPs example: support to the creation of women enterprises).
- (3) Measures which are directly contributing to both social economy and proximity, e.g., training, incubation and access to finance for entrepreneurs including social entrepreneurs, business support boosting local economy with a focus on inclusion or sustainability (RRPs examples: support programmes for disadvantaged communities in metropolitan areas).
- (4) Indirect measures for social economy. This includes measures to support target groups (e.g., investments for the employability or skills of vulnerable people), measures for social services, investments in social infrastructure such as social and affordable housing, business support reforms (e.g., measures for business internationalisation and innovation, which may benefit social enterprises).

The main figures and findings are based on the addition of the measures in categories (1), (2) and (3). They show the reforms and investments (estimated costs: EUR 4.75 billion), which will directly impact the ecosystem.

In order to give a complete view on the reforms and investments which will directly or might indirectly impact the ecosystem, we also provide figures based on the addition of the estimated costs of the measures in categories (1), (2), (3) and (4). As category (4) includes projects for sectors which are massively helped by RRP, such as social housing, we arrive at much higher estimated costs (EUR 19.35 billion).