



# Up2Circ – Boosting the Uptake of Circular Business Model, Product and Process Innovation


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## **Sectorial catalogue** **Social Economy and Proximity**



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Like any other sector, the social economy sector needs is part of and needs to adjust to the European Green Deal and the Circular Economy Action Plan. This document provides information about the social economy sector, circular business models and how these two concepts may benefit from one another. General specifics of the social economy are introduced at the beginning followed by challenges regarding ecological sustainability and circular economy. It is shown that every challenge is also an opportunity to improve something. As many SMEs struggle with gaining an overview or finding a starting point for action, this catalogue functions as a first step in this direction. Examples are provided for opportunities and best practices are shared from advanced SMEs in the sector. Beyond that advisors with a focus on social economy organisations may use this catalogue for their work in additionally supporting social economy SMEs in this field.

## Short introduction to the industrial ecosystem

The social economy in Europe is characterized by enterprises and organizations that prioritize social objectives over profit maximization. These entities operate in various sectors, including cooperatives, mutual societies, non-profit organizations, social enterprises, and foundations. The key characteristics of the social economy include a focus on social cohesion, solidarity, sustainability, and community development. These organizations aim to address societal challenges, promote inclusivity, and create social impact while also fostering economic activities and job creation.

The European Union recognizes the importance of the social economy and its potential to contribute significantly to the EU's economic growth and social well-being. As a result, the EU has taken several steps to support and promote the social economy in its member states.

Furthermore, the EU has established various funding mechanisms to support social economy projects and initiatives. For example, the European Social Fund (ESF) provides financial assistance to member states to invest in their human capital and promote social inclusion and job opportunities.


In addition to these efforts, the EU is committed to fostering social entrepreneurship and supporting social enterprises through policy measures that facilitate access to funding, markets, and expertise. They also promote social innovation and encourage collaboration between different stakeholders, including governments, businesses, and civil society organizations, to address societal challenges effectively.

Key characteristics of the social economy in Europe include:

1. **Social Objectives:** The primary goal of social economy entities is to address social challenges and contribute to the well-being of individuals and communities rather than maximizing profits.
2. **Democratic Governance:** Social economy organizations often operate on democratic principles, with members or stakeholders actively participating in decision-making processes.



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3. Reinvestment: Surpluses generated by social economy entities are typically reinvested in the organization's social mission or local communities.
4. Community Engagement: Social economy entities are deeply rooted in local communities and work closely with them to identify and address social needs.
5. Social Innovation: The social economy is often associated with innovative approaches to solving social problems and promoting sustainable development.

## Challenges for the sector with regard to sustainability demands, including a brief overview of relevant regulations

The sectors challenges are characterised through great heterogeneity. For practical reasons they are structured in the three columns of sustainability in this document, which are Social Sustainability, Economic Sustainability and Ecologic Sustainability.


### Social Sustainability

This aspect may be considered from (a) the perspective of working conditions within the sector as well as the view of long-term social impact generated through social enterprises (b).

- (a) The sector of social economy is known as a sector that needs to deal permanently with monetary shortages which influences the salaries of the employees. Especially in a situation where skilled workers are rare, the ones available tend to move to sectors with higher salaries or working conditions. Working in social economy often implies work on weekends, at late times or even at night. Structural weaknesses in rural areas are added to these challenges, since young people move to cities and enterprises in rural areas struggle with shortage of employees and clients at the same time.
- (b) Social sustainability from the view of long-lasting impact struggles with the project-working-logic, social enterprise/initiatives are often embedded in. In many cases they depend on public or charity funding (at least partially) and these funds are mostly linked to a certain period of time. This is one crucial point where serious social impact and longterm sustainability is endangered, since network structures, trust and personal development as instruments and targets of traditional social enterprises work need time and security for being successful.

### Ecological Sustainability

The social sector in many cases naturally orients on the principles of the circular economy. Due to short budgets many organisations already re-use or repair objects of daily use and collaborate mainly with local partners. However, social enterprise's investments in sustainable energies are rare at the

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moment and there is a need for information about circular business models and overlapping sections with own business models. Further greening infrastructures and business operations, as well as certification and labelling offer space for improvement. A great challenge, but also a chance lies in B2B collaboration for greener and circular value chains and business operation (see section Techsavvy SMEs and additional links).

### Economical Sustainability

As mentioned above the social sector permanently struggles with financing since it is barely generating any profit. 11,7 % of all social enterprise have no market income at all, 23,2 % have an income and 65,1 % are so-called hybrid organisations, which means that their financial situation is a mixture of donations, public and private funding (DSEM-2020-21.pdf). Even if profit is gained, re-investing this money into the own business to reach more clients or increase the services quality, corresponds to the usual procedure in the sector. Another characteristic is that many organisations depend on public spending which is often spend in funding periods of two or three years. This hampers many organisations in accomplishing their goals because working and funding logic follow different time periods.

### Legal issues and regulations in EU countries


From a comparative perspective, two groups of countries can be identified: those that have introduced legislation designed specifically for social enterprises with a view to furthering their development and those in which social enterprises are not fully regulated.

In the first group of countries, legal recognition has enabled the definition of the aims, features and fields of activity of social enterprises. Two distinct paths have been followed: Adjustment of existing regulations: cooperative regulations have been adjusted in FR (collective interest cooperative society); CR, HU, IT, PL (social cooperative); DE (social and cultural cooperative); GR (limited liability social cooperative and social cooperative enterprise); PT (social solidarity cooperative); and ES (social initiative cooperative). Company laws have been adjusted in the UK (community interest company) and LT (limited liability company). BE has recently introduced a social enterprise national accreditation scheme that is applicable only to cooperatives. It enables the identification of cooperatives that pursue explicit social aims.

Introduction of a social enterprise legal status/qualification/accreditation scheme that can be adopted by a variety of legal entities—for-profit and non-profit— provided that they comply with new criteria, in addition to the fulfilment of the criteria already in force for the legal forms entitled to qualify. Examples of countries that have introduced a social enterprise status include IT, DK and SI. An accreditation scheme for work integration social enterprises applicable to a plurality of legal forms has been introduced for instance in: AT, BG, HR, DE, PL, RO, SI, ES. Accreditation schemes for work integration social enterprises are regulated at the regional level in BE. A recent trend has been the introduction of a legal status qualifying the social enterprise within a broader recognition of the social and solidarity economy, social economy or the third sector in BG, FR, GR, IT, LU, RO and SK.



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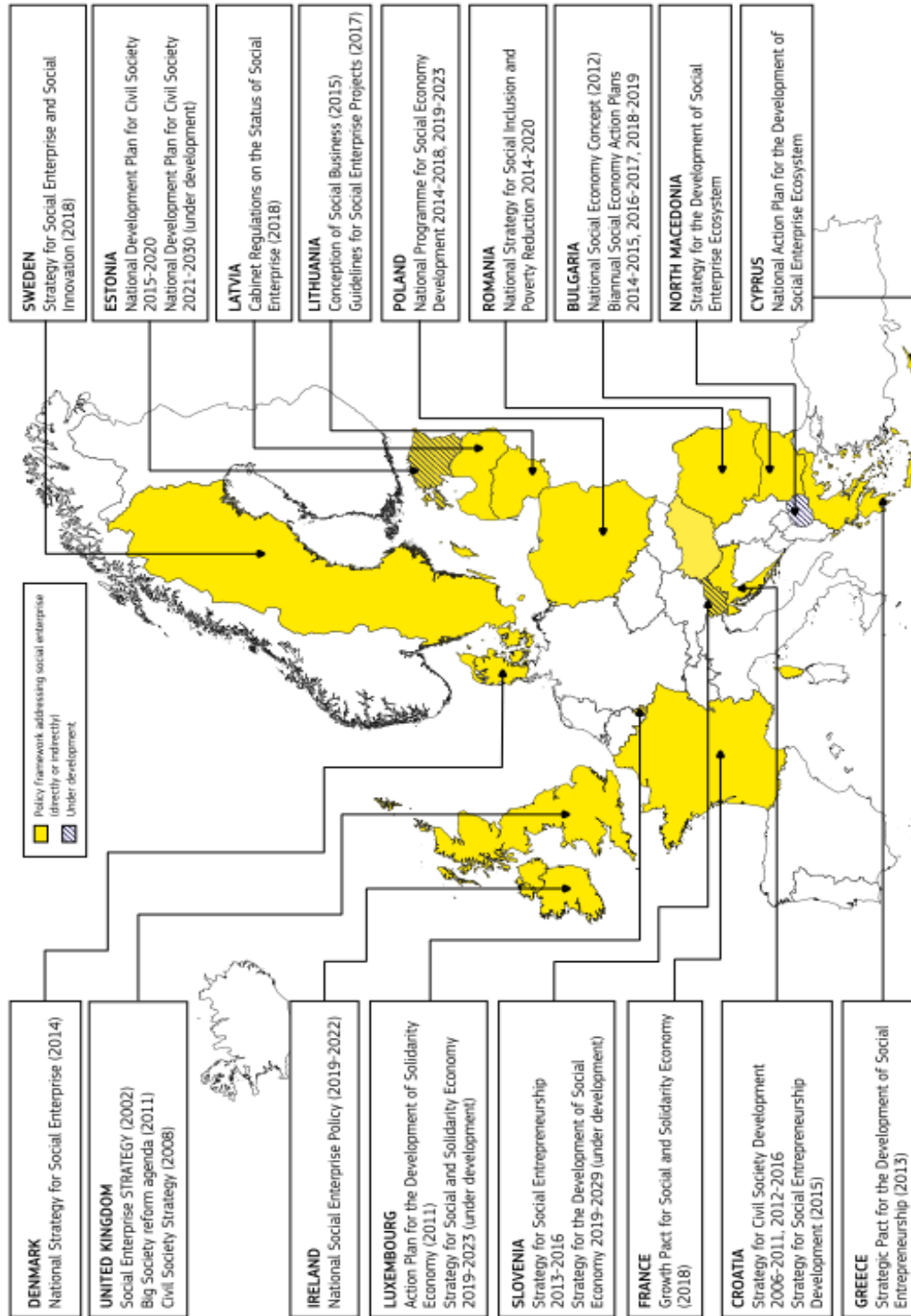
In the second group of countries, which includes, among others, AU, EE, DE, NL and SE, different reasons explain the decision not to introduce specific legislation for social enterprise.


In the case of DE, the clear differentiation between initiatives for the public benefit and for-profit initiatives explains why there is apparently no need for a specific legal framework for social enterprises. However, while German society draws clear distinctions between the social and the economic spheres, the public benefit regulation limits the entrepreneurial scope of de facto social enterprises, thus hampering their potential development. In the case of AU, no consensus exists regarding whether it would make sense to give the different legal traditions of social enterprises a



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Figure 3. Countries with policy frameworks targeting social enterprise



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unified legal frame. NL presents a different picture. Consistent with the Dutch government decision to support social entrepreneurship as an approach rather than social enterprises as types of organisations, there is no legal framework in place dedicated to social enterprises.

The comparative analysis confirms that country specificity is extremely high and that the development of social enterprise does not necessarily require the adoption of specific legislation. Indeed, the absence of a specific legal framework does not necessarily hamper the emergence of social enterprises. Borzaga et al. 2020

### ***CE opportunities for the sector, including best practices***

In general we talk about a sector which is constantly underfinanced and depends a lot on public spending, even if we recognise a certain level of striving towards more independency in form of social entrepreneurship, setting up new business models and finding alternative ways for funding.

This means, reducing energy costs, discovering waste as a resource, using materials and products longer means a decrease of economic pressure for every SME, organisation or initiative present in this sector.

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What are the biggest challenges in bringing the social economy and circular economy together for the benefits of people, job creation and society?


“The circular economy is still far from reaching its full potential and needs to be better integrated into the mainstream economy. It needs to overcome challenges linked to implementing efficient circular business models and value chains, build appropriate skills, improve work conditions, increase business and consumer engagement, and create appropriate policy frameworks to advance the circular agenda.

The good news is that the social economy provides a range of solutions to these challenges, as project initiators/creators, and innovators themselves, and as a means to engage citizens, firms and territories in circularity. However, social economy organizations also face barriers that may hinder their contribution to the circular economy. Despite important efforts these last years, a lack of awareness of what the social economy is and how its entities positively impact our economies and societies prevails. More efforts are needed to build the evidence base; we need to help citizens and policy makers better understand the social economy’s economic and social/environmental value and how it can help us transition toward a more inclusive and sustainable future. Similar to the general challenges faced by circular initiatives, many social economy organizations also



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need to consolidate their business models, improve financial viability and address skills shortage specific to the circular economy.


Here are two examples from our policy brief: In Ireland, [The Rediscovery Centre](#) brings together the expertise of artists, scientists, designers and craftspeople sharing a common goal: sustainability. It supports four reuse social enterprises that upcycle unwanted materials, such as furniture, textile and bicycles, for new product development while creating training and employment opportunities for the long-term unemployed. [The Sonian Wood Coop](#) in Belgium is another example that shows how social economy organizations can connect local actors and integrate circular value chains, in this case to sustainably manage a common good – the Sonian Forest. The co-operative was launched in 2019 to work with forest owners, sawmills, carpenters, designers and others to keep wood sourcing and product development as local as possible.”

The social economy has a strong track record in advancing circular practices. Social economy organizations have been pioneers in adopting circular business models, particularly in repair, reuse, and recycling across sectors like electronics, food, plastics, and textiles. They have showcased the economic potential of these practices, often in areas where private capital might not find sufficient returns. These organizations contribute to circular value chains, aligning with the goals of the circular economy and achieving both economic and environmental objectives. They demonstrate positive environmental impacts, as highlighted in the case of social enterprises engaged in circular activities.

The social economy entities contribute to circular efforts through various strategies:

- **Regenerate:** They develop nature-based solutions that restore ecosystems while benefiting both ecology and socio-economic aspects. For instance, [Anatolian Grasslands](#) in Turkey implements regenerative farming, restoring soil quality and linking local farmers to consumers. Similarly, initiatives like [Grounded Ecotherapy](#) in the UK restore natural ecosystems through urban agriculture, benefiting biodiversity and attracting visitors.
- **Reduce:** These organizations work to decrease the environmental footprint of production and manufacturing via strategies such as eco-design and product-as-a-service models:
  - **Eco-design:** Organizations like [Fairphone](#) and [Solace](#) prioritize making eco-friendly products easily repairable and recyclable. Solace for example designs affordable and energy-efficient individual houses that are 80% recyclable and can evolve as residents’ needs change.
  - **Product-as-a-service:** Fairphone plans to launch Fairphone-as-a-service, a product-service system in which Fairphone retains ownership of its devices, which will improve the product life cycle and will optimize the use of resources and recycling throughout the process. Projects like [La Vague](#) promote service-based consumption and reusable products, contributing to resource optimization and reduced waste.
- **Recycling:** [AfB](#) specializes in certified data erasure and the recycling of IT hardware. “With 528,000 IT and mobile devices processed in 2022 AfB has achieved a remarketing rate of 64



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%. ICT that cannot be remarketed is dismantled at AfB's certified waste management facility in order to be recycled according to type and removed of harmful substances.”

Sharing or Collaborative Economy: Social economy entities engage in peer-to-peer exchanges and resource sharing. Initiatives like Fairmondo and the [Mobility Factory](#) facilitate sustainable alternatives to traditional commerce, encouraging fair and sustainable consumption practices.

### ***Overview of tech-savvy SMEs that develop/offer solutions to increase circularity in the sector***

- [Fabel](#) developed an organiser app which offers a comprehensive solution to simplify and automate home care tasks for relatives and your care team
- [Beyond Emotion](#) developed an AI-based software that analyses facial expressions and emotions. The technology virtually connects people in need of care (e.g. elderly, or dementia patients) who live in care facilities or at home, with their relatives
- [Intensivkontakt](#) developed an innovative and effective communication technology + tablets for hospitals and health institutions to facilitate interaction between doctors, nurses, patients and patient's relatives
- [Joulia](#) invented a linear and double walled safety heat exchanger, fully integrated in linear drains or shower trays. It can be installed in private showers as in public wet rooms. The innovation has a high energy efficiency (payback time in public buildings after 0.5 year) and is easy to install and clean
- [Remoni](#) is a Danish green-tech company has developed and patented a unique energy efficiency solution, that saves 30% on energy used for heating in public buildings and private offices. The business model is risk free, meaning that the company install and run the solution without cost, in return for a share of the cost savings achieved. The solution is commercially available today, with new features including a similar predictive feature for optimising energy used for cooling.

***Links to sector specific online contents, including sector specific funding opportunities***



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- [The Social Economy Action Plan](#) (2021): The publication of the action plan was preceded by extensive dialogue with citizens and stakeholders. In addition, the Commission has been building the evidence-base for the initiative through several studies, such as the [Study on the Impact of the SBI and its follow-up actions](#) and [mapping exercises](#).
- [Transition Pathway for the Social Economy](#): The report puts forward a set of 30 actions in 14 different areas to further support the social economy in leading fair green and digital transitions.
- [Policy brief on making the most of the social economy's contribution to the circular economy](#) (2022): The brief defines concepts of both the circular and social economy and describes the potential of the social economy to support circular activities and related business models and to reinforce uptake of circularity in our economies and societies.
- [The Sonian Wood Cooperative](#): is a cooperative with the mission to make the best use of local wood. They closely cooperate with different partners along the value chain and organise the sustainable production of local high-quality wood products.
- [The Rediscovery Centre](#): The Rediscovery Centre is the National Centre for the Circular Economy in Ireland. A creative movement connecting people, ideas and resources to support greener low-carbon living.
- [Anatolian Grasslands Farming](#): is a social enterprise that strengthens climate change mitigation and adaptation processes by creating regenerative systems. Their purpose of existence is to be the trigger of the Age of Regeneration with systemic transformation by ensuring the establishment of a regenerative agriculture understanding in Turkey and the world.
- [Fairphone](#): “With every phone we make, we’re getting closer to a fairer and more sustainable electronics industry. From responsible material sourcing to advocating for workers’ welfare, we share all our results freely and set new standards for the entire industry.”
- [Solace](#): Solace produces houses which follow a modular concept and may be adjusted according to the people who live in it. All materials used are sustainable.
- [La Vague](#): La Vague is a Québec non-profit organization working toward eco-responsible solutions for the food & beverage industry in Québec, with a focus on cafés & restaurants. Projects include reusable cup programs, or eco-responsible consulting services specially designed for cafés, restaurants, and cafeterias.