



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

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Sectorial catalogue **Proximity and Social Economy**





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Like any other sector, the social economy sector 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 complement each other. 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 / content focus

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,

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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.
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.

Collaboration with social economy bears advantages for other sectors

Social organisations do have good local networks across value chains to survive and to develop and implement innovations. Social enterprises are a chance for business to connect locally, since they are locally anchored and develop parts of their activities at the local level to facilitate partnerships among firms. Being well connected, they do have the ability to rally local supporters and mobilise local ecosystems (incl. policy makers and citizens). Besides that, social enterprises do have experience in the training and work integration of vulnerable groups and may also help for-profit businesses to improve work conditions along their value chains. Using these existing structures is an asset for the Circular Economy.

Social enterprises do have experiences in developing circular activities. They are familiar in improving product durability, reusability, upgradability and reparability and know how to avoid destruction of unsold durable goods and enable high-quality recycling. Furthermore, social enterprises are forerunners in developing activities in the circular economy, especially in repairing, reusing and recycling.

Organisations with a social purpose are experienced in increasing social inclusion and social cohesion. Improving working conditions and training opportunities as well as providing the workers with the skills required for the green transition are traditional fields of expertise of the social economy. Besides that, they are aware of do's and don'ts when it comes to accessibility of circular services and products or in designing circular services and products that are available for all.

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 recognised 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. For example through “activities such as electronics and textile recycling, reusable consumer goods, and repair and remanufacturing activities that extend the lifespan of materials and products. It also contributes to other circular activities such as restoring natural ecosystems through regenerative farming techniques, optimising the use of resources through eco-design of products and supporting the collaborative economy through sustainable platforms” (OECD 2022) 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 currently rare 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

Social economy framework conditions, legal issues traditions and regulations vary from country to country. The [EU Social Economy Gateway](#) provides first insights into each country ecosystem. However, 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);

Special cases

The legal framework for the social economy in **Portugal** is established by Law 30/2013 of 8 May, commonly known as the Framework Law (“Lei de Bases”). This law provides the fundamental principles and regulations governing the social economy sector and lays the foundation for the creation of a satellite account dedicated to the social economy.

According to the Framework Law, the social economy sector encompasses various entities, including cooperatives, mutual societies, Holy Houses of Mercy, foundations, associations with altruistic purposes that operate in the cultural, recreational, sports and local development fields, entities covered by the community and self-management sub-sectors, and other private social solidarity institutions (IPSS). Furthermore, the law allows for the possibility of incorporating other entities that align with the guiding principles of the social economy.

Spain may be considered as advanced concerning social economy legislation and support. In 2011, the Spanish Social Economy Law was passed with the aim to provide a legal framework for social economy entities and facilitate their access to funding and resources. The law represented an important milestone, as it outlined the type of organisations that can be considered as part of the social economy. On 11 April, the Council of Ministers approved the new Spanish Social Economy Strategy 2023-2027. It has been developed with the main actors in the sector and serves as a

roadmap. Company laws have been adjusted in the UK (community interest company) and LT (limited liability company).

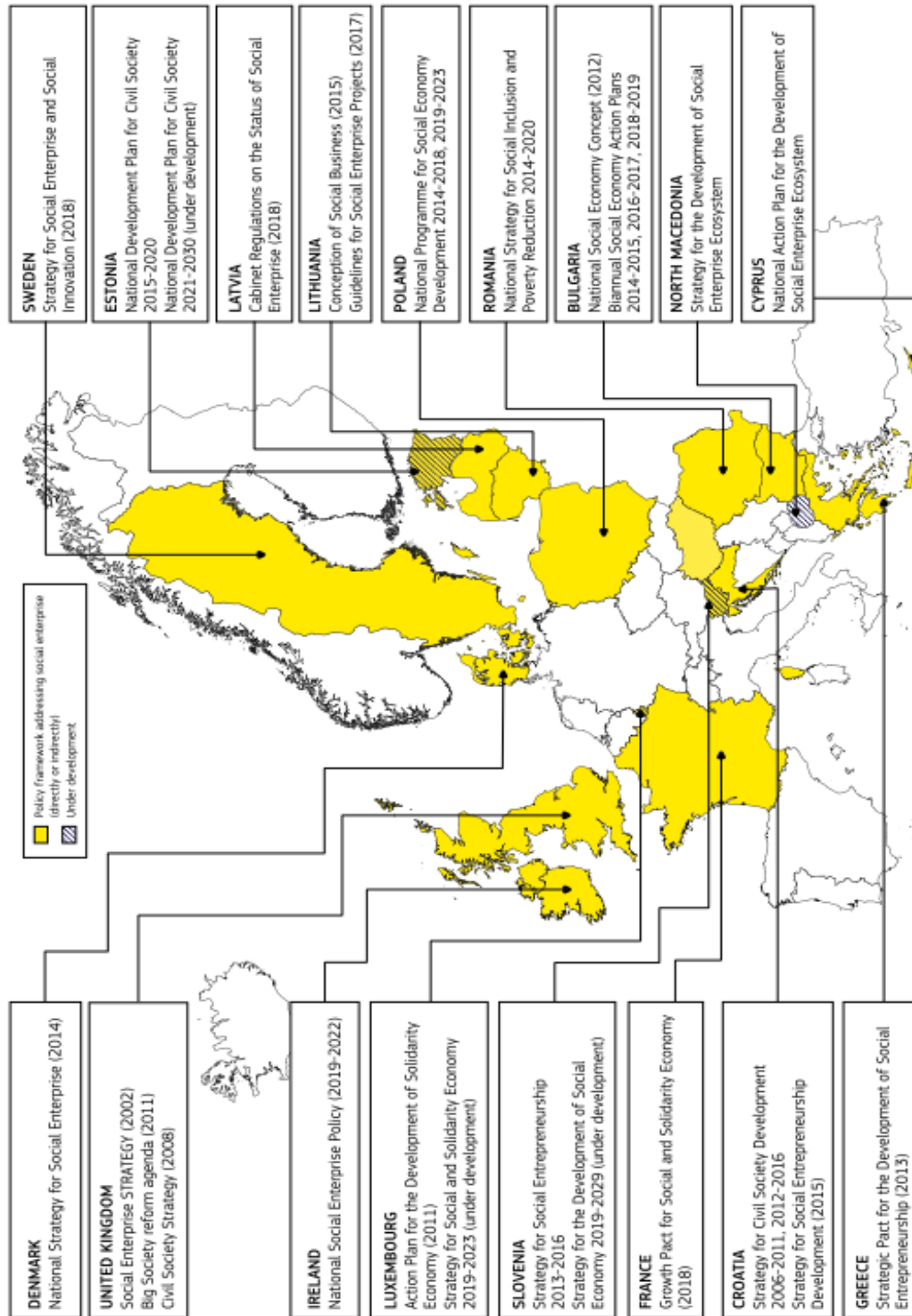
Belgium has recently introduced a social enterprise national accreditation scheme that is applicable only to cooperatives. It enables the identification of cooperatives that pursue explicit social aims. On a regional level BE provides vivid ecosystems for social entrepreneurs. In Flanders, actions on the social economy are formalised and foreseen thanks to a 5-years orientation document. For the period 2019-2024, the Flemish policy on employment and the social economy focuses on the support of social and sustainable entrepreneurship. In Wallonia, a 2008 law decree recognizes and defines Social Economy and organizes the social concertation. In 2020, the Government launched a 5-years strategy for the development of social economy. It sets 3 priority axes to work on by 2024: supporting social innovation, raising visibility and promoting social economy actors, and facilitating social economy up-scaling by reinforcing their social impact. In Brussels, the Common General Policy Statement for the 2019-2024 legislature commits the region to put the transition at the centre of its strategy. Social and democratic entrepreneurship are considered as priority tools to be supported in that context. The Brussels Region economic transition strategy, the “Shifting Economy”, devotes a chapter to social entrepreneurship and more broadly, aims to support all businesses in transition, drawing inspiration from the social economy (governance, purpose, environmental and social impact). In the German-speaking Community, the Regional Development Concept (its German acronym being “REK”) lays out a vision and strategy on how to live by 2025. The REK includes a project entitled “A strong social economy”, enhancing visibility of social businesses and creating a legal framework. (All three cases according to EU Social Economy Gateway).

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.

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

Figure 3. Countries with policy frameworks targeting social enterprise



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

The social economy has supported the circular economy by engaging in activities like recycling electronics and textiles, offering reusable consumer goods, and performing repair and remanufacturing services that prolong the life of materials and products. It can help reinforce the social benefits of the circular economy, for instance supporting inclusive and decent work (Goodwin Brown et al., 2020). Additionally, it aids other circular initiatives by restoring natural ecosystems with regenerative farming techniques, optimizing resource use through eco-friendly product design, and promoting the collaborative economy via sustainable platforms. It became obvious that especially during the COVID Pandemic, “a green and inclusive recovery appears as an essential condition to build back better and improve the resilience of economies and societies” (OECD, 2020).

The social economy is a constantly underfinanced sector, which depends significantly 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. It is considered as an advantage that the social economy has always been motivated to engage in sustainability issues, due to a diverse and inherent value creation beyond pure economic reasons. An example are emerging renewable energy cooperatives and other forms of community-based enterprises accompanying the rise of decentralised renewable energy technologies such as solar panels, wind turbines and small hydroelectric installations. These cooperatives are typical social business models where enterprises or individuals join forces to place investments unreachable if acting alone. Their primary goal is the energy transition, focusing on economic, social, and environmental sustainability for long-term stability and development. Energy cooperatives function democratically, allowing members to become co-owners and ensuring each has one vote, regardless of their investment size. Members’ contributions ensure the cooperative’s independence, and elected representatives advocate for all members’ interests. The cooperative prioritizes security and stability over profit, making member investments safe and spreading potential losses across all shares. As a side effect, cooperatives significantly improves individuals’ attitude toward local onshore wind turbines. The perspective of being part, participate and benefit decreases opposition against such projects.

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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 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:

- **Reuse:** Social economy organisations contribute to extending the lifespan of products by engaging in repair and remanufacturing activities and by encouraging the reuse of products.
 - Repair cafés benefit the environment while favouring knowledge sharing (e.g. sewing, repair and maintenance skills) and reinforcing social cohesion among individuals from the same neighbourhood.
 - [Roetz-Bikes](#), in addition to its repair and remanufacturing activities, is a work-integration social enterprise that trains vulnerable people to become skilled bicycle technicians and helps them find permanent employment.
 - [Substation33](#), in Australia, provides employment and training opportunities while bridging the digital divide and ensuring that all members of its community have access to digital technologies.
- **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 directly linking local farmers to consumers. Besides this ecological effect, “it also makes village communities more attractive and viable, reshaping rural life and building a grassroots movement that include traditional farmers as well as youth who are reverse migrating from urban to rural areas” (OECD 2022).
 - 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: [Zerooo](#) transfers the idea of a deposit system for plastic bottles, which is well known in the beverage industry, to cosmetics. Plastic bottles, a former product, becomes a service to cosmetic brands and creates local jobs in the recycling industry.
- **Recycle:** Social economy organisations are active in the recycling sector and provide waste collection, sorting and recycling services.
 - [Bois public](#) supports work integration as it provides woodworking trainings for young people in a difficult situation (drug addiction, school dropout). In 2019 alone, Bois Public provided training to 26 woodworking apprentices. This experience endows participants with woodworking skills and the means for financial independence, and empowers them as they produce highly visible furniture that directly benefit their local communities.
 - [Les Valoristes](#) and [Wildplastic](#) significantly improve the working conditions of informal waste pickers (e.g., increased revenues, access to services and

infrastructures, etc.). Most importantly, these organisations help promote the social inclusion of often marginalised individuals.

- [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 %. 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 [nuranda](#) facilitate sustainable alternatives to traditional commerce, encouraging fair and sustainable consumption practices. Nuranda sells office products and donates a large part of their profits to charitable organisations. Customers may decide which organisations the money is donated to. Their aim is to generate donations and thus ensure that charitable projects receive additional support, by combining the necessary operating expenses of their customers with an appropriate understanding of social responsibility.
 - [Mobility Factory](#) is a European second-level cooperative formed by local Citizen Communities. Thanks to the TMF platform, the members offer sustainable mobility services to their local communities. The members cooperatively own the TMF platform.
 - International networks like [RReuse](#) aim to empower, represent, and support the social and circular enterprise community, helping drive its development through positive change in European policy, facilitating the exchange of best practices, and fostering meaningful partnerships.
- Recover: Social economy organisations can develop activities that aim to produce energy from residual flows, for example through combustion.
 - [Coopeos](#) follows the goal of valorisation of local wood resources for sustainable heating of buildings. To achieve this goal they are converting local wood resources into high quality wood chips for wood boilers, design, install, finance and manage the wood boilers and sensitise a wide audience to sustainable development.

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.
- The label [Solid'R International](#) was created in 2002 in order to distinguish social economy waste collectors from purely profit-driven firms. The label plays an important role in raising citizen awareness about the impact of their donations and helps them to make informed choices on where to donate used items. By unifying actors within a common label, Solid'R facilitates cooperation among social economy waste collectors at the regional, national and international level, which amplifies their voice and boosts their market position.

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

- [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](#).
- The [EU Social Economy Gateway](#) collects and provides information on the social economy framework and conditions of each EU member state. It is constantly improved and open for participation.
- [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.
- OECD and International Institute for Applied Systems Analysis (2020), [“Cities and the Circular Economy”](#), in Systemic Thinking for Policy Making: The Potential of Systems Analysis for Addressing Global Policy Challenges in the 21st Century, OECD Publishing, Paris
- [Policy brief on making the most of the social economy's contribution to the circular economy](#) (2022): The brief published by OECD 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.