

PERSPECTIVES AND CHALANGES IN FUNDING SOCIAL ECONOMY IN EUROPEAN UNION

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Abstract

Increasing is the role of social enterprises in the future development of EU economics. The social economy has different traditions in Member States. The future for social entrepreneurship is to solve problems of society. Many European citizens are excluded from the benefits of economic and social progress. Due to inequalities and risk of social exclusion, people with disabilities need to be re- integrated in the labour market via non-standard forms of employment, including self-employment and temporary contracts. Social entrepreneurship offers opportunities to young professionals. Market access for social enterprises is still restricted. EU at country level can influence the private and social mission entities to incorporate business practices with positive societal impact, improve access to markets and enhance the visibility of social enterprises. EU needs to further develop funds and instruments to support microfinance. Suitable financial instruments and intermediaries should support social enterprises throughout their lifecycle. Access to finance for social entrepreneurship development should be improved. Small and early stage social enterprises need enhanced support, a loan scheme for scaling social enterprises and community-based organisations with limited revenue potential. Thus, social entrepreneurship could revive the social economy through legal frameworks, access to finance, business start-up and development support.

Keywords: social enterprise, funding, EU, microfinance, market access

Abbreviations: social enterprise (SE); small and medium-sized enterprises (SMEs)

MAIN CHARACTERISTICS OF THE SOCIAL ECONOMY IN EU

There are 2.8 million social economy enterprises, representing 10% of all businesses in the EU. Almost 13.6 million people – about 6.2% of the EU's employees – work for social economy enterprises (Business, Economy, Euro). Social economy mobilizes volunteers, equivalent to 5.5 million full-time workers. Some features of social economy include:

- Membership - up to 160 million people in Europe are members of social economy enterprises (mostly retail, banking and agricultural cooperatives, mutual societies offering services complementary to social security regimes)
- Objectives - social economy enterprises contribute to the EU's employment, social cohesion, regional and rural development, environmental protection, consumer protection, agricultural, third countries development, and social security policies

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- Size - social economy entities are mostly micro, small, and medium-sized enterprises (SMEs).

SOCIAL ECONOMY ENTERPRISES AND ORGANIZATIONS

DG Internal Market, Industry, Entrepreneurship and SMEs is promoting the development of social economy enterprises and organizations via the Single Market Programme. It is focused on supporting the development of social economy by implementing the European action plan on social economy (2021) (Social economy in the EU).

Main actions focus on:

1. Promoting access to markets with socially responsible public procurement: social procurement and boosting affordable housing in Europe
2. Reinforcing business support via the European Enterprise Network, including social economy actors and their management experience through Erasmus for Young Entrepreneurs
3. Developing networks and partnerships via the social innovation competition, European social economy regions and social economy missions
4. Boosting skills and professionalization: Pact for skills and skills alliances through Erasmus+.

SOCIAL ECONOMY ACTION PLAN

The European Commission adopted a new action plan on the social economy with time horizon until 2030 on 9 December 2021 (Commission presents Action Plan). Social Economy Action Plan gives the way for social economy organizations to grow in prosperity, increasing their social impact across the EU by creating new jobs.

Series of initiatives are considered in the following three areas:

1. Creating the right framework conditions for the social economy to thrive;
2. Opening up opportunities and support to capacity building;
3. Enhancing recognition of the social economy and its potential.

The EU plan for social economy must take into account the rise of artificial intelligence. Its use in applications in healthcare, industrial management and e-payments continues to increase in frequency, that affects our understanding of the social economy.

The action plan announces key actions to support social economy:

1. Council Recommendation on developing social economy framework conditions;
2. EU Social Economy Gateway on relevant EU funding, policies and initiatives;
3. European Competence Centre for Social Innovation.

Access to funding remains a challenge for social economy organizations and, thus to improve the access to finance is important in the Social economy action plan.

SOCIAL ECONOMY ENTERPRISES: CAPACITY BUILDING AND BUSINESS OPPORTUNITIES FOR SOCIAL CIRCULAR ENTERPRISES

The Programme in the field of social economy (SMP-COSME-2024-SEE) is under the Competitiveness of Enterprises and SMEs strand of the Single Market Programme (SMP COSME), and comprises two topics with budget of EUR 8 000 000:

1. SMP-COSME-2024-SEE-01 - Stepping up organizational and entrepreneurial capacity of SMEs in social economy.
2. SMP-COSME-2024-SEE-02 - Partnerships for circular value chains between mainstream businesses and SMEs in social economy.

THE MAJOR EUROPEAN RECOVERY PLAN

Some Social enterprises during the Covid-19 pandemic, following their business model, produced face masks, assisted people, supported digital online education or supplied sustainable goods and services.

The major European Recovery Plan, comprising up to EUR 1.8 trillion, involves the creation of a new recovery instrument, 'Next Generation EU', which is embedded in the long-term EU budget.

European Commission, with the adoption of EASE (Recommendation on Effective Active Support to Employment following the COVID-19 crisis), outlined a strategic approach to gradually transition from emergency measures taken to preserve jobs during the pandemic to new measures needed for a job-rich recovery.

Promotion of job creation and job-to-job transitions, including towards the digital and green sectors. This could reshape the post-COVID economy through inclusive and sustainable economic models.

SOCIAL ECONOMY ACTION PLAN FOR TIME HORIZON 2030

With more than 60 actions in the action plan for the social economy, the European Commission implement a programme to improve the framework conditions for the social economy (EU Social Economy Gateway).

The social economy can drive the 2030 main targets, thus increasing the employment rate and reducing the number of people at risk of poverty and social exclusion. The Platform on Sustainable Finance report argues that it is important to identify economic activities and entities contributing to advancing social objectives. Thus, the transparency of investments and employment could increase, and prevent social washing as well as reduce the poverty.

CHALLENGES FOR THE SOCIAL EUROPE

One of the most pressing issues for the EU remains that of integration. There are numerous factors to consider in this case. Should the EU aim to grow wider or deeper, or both, or neither?

Another important challenge for the EU remains that of climate change.

The migration in EU

"Protecting the EU" has become so urgent that its own protection system and its underlying understanding can be compromised (7 key challenges facing the European Union). The EU's activities in the field of migration have been hectic over the last few years.

EU face complex challenges and has become less liberal. EU estimated the potential risks that massive numbers of irregular arrivals could pose to its integrity. Third states are necessary partners to reduce the number of migrants arriving.

Water resources in EU

There are current challenges and future perspectives for the full circular economy of water in European countries (Koseoglu-Imer, 2023). Local governmental organizations should support and encourage initiatives to expand water reuse, particularly for agricultural and industrial uses across all of Europe. The biggest challenge in using and recycling water from wastewater treatment plants is dealing with technical, social, political and economic issues.

Future goals of the EU

The European Union set four priorities for the 2019-2024 period including the protection and freedom of citizens, developing a strong economy, sustainability in Europe and promising European values and interests globally.

The European Union is a work in progress: it is moving, changing, reinvent itself in the face of new challenges that can be both institutional (democratic gap) and circumstantial (poverty, financial crisis and international security challenges) (data.europa.eu; Wilson, 2014).

European Union's Member States must work together to address current and future social challenges, its economy and political stability.

A social investment approach focuses on prevention, instead of assisting a given unemployed person with material provision. Such measures include employment training for youth vulnerable to social exclusion, stay in school, learn more skills for better chance of finding and keeping steady employment.

EUROPEAN UNION AND ITS CHALLENGES TO THE SOCIAL ECONOMY***Budget***

After, losing the net major contributor UK, the EU has called for increase the budget and contribution from rest of the 27 members for the Multi-annual Financial Framework for 2021-2027 (The International Relations). The members such as Germany, Austria, Sweden, Denmark and the Netherlands are asking for budget cuts to at least 1% but EU is asking to set it at slightly higher limits.

Debt crisis

Eurozone debt crisis sparked concerns over the fundamental structure and viability of the 19 member Eurozone. This raises rift between the EU members over the sovereign control in hands of Brussels.

Access to funding

Access to finance is one of the most pressing challenges for community organizations and social enterprises. SEs need financing from both market and non-market sources. Often SEs are not deemed bankable by regular funding sources. Or they might not qualify for certain support measures due to their legal status.

Business development services

Networking and financing are both important elements of developing the social economy in a region. Step further would be to set up dedicated SE development services, such as mentoring and training programmes, consulting on investments and management, incubation and acceleration schemes.

CONCLUSIONS

EU at country level can improve business practices with social impact, increase the access to markets and finance, develop funds and instruments to support microfinance as well as loan scheme for scaling social enterprises and community-based organizations with limited revenue potential. The social entrepreneurship could influence the social economy through access to finance and business start-up. Access to finance is the most pressing challenge for social enterprises that need financing from both market and non-market sources.

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What are the key challenges of our times according to EU citizens? Find out in the latest Eurobarometer! <https://data.europa.eu/en/news-events/news/what-are-key-challenges-our-times-according-eu-citizens-find-out-latest>

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