

# European Alliance Against Coronavirus

Friday 12<sup>th</sup> June 2020 at 8:30

## Analysis of Disruptions in the Social Economy Ecosystem

Working format is based on “Gilles Rules”:

1. conceptual framework
2. needs and disruptions
3. solutions

Speakers:

- Karel Vanderpoorten, DG GROW
- Thomas Bignal, [EASPD](#)
- Suzanne Huiskes, [Euclid Network](#)

[Link to session's recording](#)

### 1. CONCEPTUAL FRAMEWORK

#### Social services and social enterprises in Europe

*Karel Vanderpoorten* opened the session with the presentation of the speakers and the active role of the social economy and its actors in the 14 ecosystems. Indeed, while profit is not the main motivation behind a social enterprise, **revenue still plays an essential role in the sustainability of the venture**. It has to be clear that the social enterprise has an **active economical role** and it is also a strategic development lever for other interconnected ecosystems like the digital and the electronics ones.

As *Thomas Bignal* said, social enterprises tend to have **more difficulties in accessing capital and funding** as lenders tend to feel less confident in this area. The **Social Economy Action Plan** is being developed by the Commission, which addresses the **redesign of capital funding and investment funds for social enterprises**.

*Alberto Pezzi* quoted the [presentation from Michael Porter](#) about shared value in order to point out the need to accelerate social change and the connection between social enterprises and industrial companies.

#### The impact of Covid-19 on social service

The disruption which the social economy is experiencing is stated below. In general, this sector experienced a high quota of deaths and infections. Residential care facilities stayed open and continued their work, while other social services shifted online or closed.

In order to face the millions people not accessing the care and support services they need and to meet the needs of the crisis, it is important to re-distribute public funds from the European countries allocated to specific project before the virus outbreak. The EASPD helps boost private investment in social care and support, see [State of Play report on "Social Investment in Social Care and Support in Europe"](#).

## Social enterprise key characteristics in times of crisis

*Suzanne Huiskes* shared the [Impact City](#) project initiated by the Dutch government which aimed at the goal to create critical mass. Impact City is built on 5 pillars:

1. Visibility of who is in the cluster
2. Synergy between the different actors in the ecosystem
3. Networking
4. Capital impact and attract investors
5. Infrastructure and regulation

[Torino Social Impact](#) (promoted by *Mario Calderini*) shares the same goals as Impact City but is boosted by a university.

One of the key points proposed by *Marek Przeor* was how governments can support the social enterprises to become economically stronger and more connected to other (industrial) actors to create ecosystems.

The **next session** for the social economy ecosystem will be on the **16<sup>th</sup> of June 2020**.

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## 2. IDENTIFICATION OF DISRUPTIONS

### First disruption: income decrease in social economy ecosystem

*Source: Thomas Bignal (BE), Suzanne Huiskes (ND)*

**Evidence:** The crisis related to the coronavirus pandemic has disrupted the steadiness of the income sources, leading to its decrease over time. Many companies have lost almost 50% of income. In addition, social enterprises encounter difficulties in the access to funds and loans provided by banks, because lenders don't feel confident in social enterprises business. Furthermore, private donations decreased.

One of the main challenges for the future is how the ecosystem can be better prepared for a possible rebound. Economic solutions could get there from grants, investment capitals, capital funding and public and private sector, but a new financial prospective is needed.

The employees of the ecosystem are working extra and most of hours are still unpaid.

**Geographical impact:** EU

**Stage of value chain:** Every stage of the value chain

**Character of the disruption:** Drop of the financial capabilities linked to income generation

**Time frame:** Short term

**EU actions needed:**

- **Coordination:** Promotion of collaboration between financial institutes and social enterprises
- **Funding:** Financial support to social services to company for the crisis period

**Recommendation:**

- Funds to sustain social ventures should be encouraged for banks, proposing, for example, economic relieves for banks deciding to invest in a social business. This could help reduce the friction towards the perceived hesitance by financial providers to invest in these businesses.

## Second disruption: Restrictions of movement

*Source: Thomas Bignal (BE), Suzanne Huiskes (NL)*

**Evidence:** The outbreak of Coronavirus pandemic has obliged governments, at different levels, to impose special restriction measures on assets. Movement of human resources and physical assets have been affected, cross cutting different industries across the territory. In particular, in the Social Service sector, the number of services provided in person has been reduced or temporarily shut down and managed through on online channels, if possible.

**Geographical impact:** EU

**Stage of value chain:** Operation activities and services

**Character of the disruption:** Limitation for resources and assets movement

**Time frame:** Short term

**EU actions needed:**

- **Funding:** Provide specific funds to help sustain the loss from temporary discontinued services
- **Regulation:** Define clear rules and assets allocation, to sustain and improve online services delivery, adapting to the ecosystem change.

**Recommendation:**

- Since not all the services can be moved totally online (Homecare for example), it is necessary to define specific deadlines for in-person service delivery limitations, since activities that are temporary dismissed for this reason, generate income loss and worsening of the service quality.

## Third disruption: Public funds have been adjusted to meet the needs of crisis

*Source: Thomas Bignal (BE), Suzanne Huiskes (NL)*

**Evidence:** In the context of the global pandemic, public funds from European countries allocated to specific project before the virus outbreak, have been re-distributed, increased and exploited for initiatives with a social and safety impact; as a consequence, the fund for companies delivering social services have been shrinking.

**Geographical impact:** EU

**Stage of value chain:** Finance and Funding

**Character of the disruption:** Decreasing funding opportunities for companies in the Social Service sector

**Time frame:** Short term

**Recommendation:**

- Possible accounting issue may rise due to the different sources exploited, especially for funds redistribution
- Allocation to resources and measure definition in order to sustain also the environment rotating around Social Services delivery (Hospitals, Operators, devices, ecc.)

## Fourth disruption: Shortage of PPE

*Source: Thomas Bignal (BE), Suzanne Huiskes (NL)*

**Evidence:** Personal Protective Equipment (PPE) shortage has created a bottleneck upstream in the supply chain for the Social Services delivery. Caused by the sanitary emergency that Europe is facing in this period, this shortage is preventing social operators to perform their working tasks in total safety, worsening the situation of economic and financial difficulty. One of the solutions adopted by the companies was adjusting their activities in order to produce new PPE.

**Geographical impact:** EU

**Stage of value chain:** Operation activities and services / Raw materials supply

**Character of the disruption:** Lack of medical materials in support to the activity

**Time frame:** Short term

**EU actions needed:**

- **Funding:** invest in the production of PPE
- **Coordination:** help companies becoming more resilient and adapt quickly to the new scenarios

**Recommendation**

- If PPE production is managed at government level, it is necessary to focus also on their distribution; regulation must guarantee that PPE are supplied to all the companies involved in Social Services Ecosystem, avoiding unlevelled supplies between different providers.

## Fifth disruption: Social enterprises excluded from Regional Smart Specialization Projects

*Source: Marek Przeor, DG Grow*

**Evidence:** Several regions are lacking a full inclusion of social economy enterprises into the Smart Specialisation process and definition (RIS3). Thus, social economy actors are excluded from the participation in publicly funded projects, in relation to European Regional Development Funds (ERDF).

Even though at EU level the RIS3 process is strongly based on a quadruple helix, at regional level there are still difficulties in involving the civil society, even though it has full legitimacy confirmed by EU Commission.

**Geographical impact:** EU

**Stage of value chain:** strategic, process development, financial

**Character of the disruption:** Exclusion of the civil society (fourth of the quadruple helix) by the S3 process development and funding.

**Time frame:** long term

**EU actions needed:**

- **Funding:** to invest into social impact funds and social investments.
- **Coordination:** to facilitate coordination and better involve regional government into the understanding of the strategic value of social economy inclusion in RIS3.
- **Regulation:** to include into the calls for proposal rules explicit eligibility for social economy enterprises.

**Recommendation:**

- The Regional authorities are obliged to include social companies.
- Social economy representants should demand to regional government to be included into calls for proposal eligibility.

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## IDENTIFICATION OF NEEDS

- Need to specific metrics in order to demonstrate the relevance of shared value creation approach both at company level and at cluster level

Source: *Alberto Pezzi (IT)*

- Raise more awareness: social enterprises have difficulties to access funds or loans provided by banks because lenders show difficulties in believe and funding social enterprises projects

Source: *Karel Vanderpoorten, DG GROW*

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## 3. IDENTIFICATION OF SOLUTIONS

- The European Commission is working on a “Social Economy Action Plan” that will be released in 2021

Source: *Karel Vanderpoorten, DG GROW*