Local Economic and Employment Development (LEED)

Social Economy in Europe

Contributing to Competitiveness and Prosperity

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Preface

The social economy is an important driver of economic growth, social cohesion and community resilience across Europe, the OECD and beyond. Within the European Union, it comprises over 4.3 million entities, playing an important role in job creation, employing approximately 11.5 million people or 6.3% of the workforce.

Social economy entities are also at the forefront of developing innovative solutions to pressing challenges such as demographic change, digital transitions and environmental sustainability. They are active in sectors throughout the economy, from agriculture, banking and housing to health, care and education, as well as renewable energy and the circular economy. They contribute to our democracies and societies through participatory governance and empowering people. Using a citizen-led and locally based approach, social economy entities help strengthen territorial cohesion across cities, rural areas and border regions. They also contribute to sustainable competitiveness by pioneering innovations in both economic and social spaces and by advancing the creation of quality jobs. Their role, which has proven essential to keep services running during crises, including the COVID-19 pandemic, highlights their importance for communities and governments alike.

Building on the longstanding work by the OECD and the European Commission, both institutions have issued high-level guidance to leverage the full potential of the social economy. The European Union adopted the 2021 Action Plan on the Social Economy and the 2023 Council Recommendation on developing supportive framework conditions. These frameworks align with the 2022 OECD Recommendation on the Social and Solidarity Economy and Social Innovation. Together, they provide a set of shared objectives and guidance that are helping countries, regions, and cities to strengthen policy frameworks and scale innovative practices to unlock the social economy's potential to deliver quality services, generate employment, and promote inclusive and sustainable development.

This joint OECD-EC report, *Social Economy in Europe: Contributing to Competitiveness and Prosperity,* offers strategies and tools to accelerate implementation of recent high-level guidance. It highlights the pathways and contributions of social economy entities to meet key policy priorities, looking in particular at care services and affordable housing. The report also analyses three fundamental framework conditions that underpin the success of social economy actions, notably, institutional arrangements across different levels of government, fiscal measures and business support approaches. By presenting practical examples, lessons learned and action-oriented recommendations, the report provides public authorities, social economy entities and other stakeholders with evidence and insight to help build enabling environments where social economy entities can innovate, expand and drive positive change.

Mathias Cormann,

OECD Secretary-General

Roxana Mînzatu,
Executive Vice-President for Social Rights and Skills, Quality Jobs and Preparedness
European Commission

Foreword

As countries, regions and cities manage ageing populations, economic disparities, social exclusion and environmental pressures, the social economy offers innovative solutions that blend economic activity with social impact. Comprising co-operatives, associations, mutual societies, foundations and social enterprises, the social economy can support competitiveness, resilience and sustainable development. A recent Eurobarometer survey notes that three out of four Europeans recognise its importance for the well-being of society in their country. Better policy framework conditions and sector-specific guidance can help maximise the social economy's impact.

This report, *Social Economy in Europe: Contributing to Competitiveness and Prosperity*, explores how social economy entities advance economic, social and environmental objectives. It includes in-depth chapters on the care and housing sectors, highlighting opportunities to enhance service delivery through the social economy. It also identifies the main challenges and policy options to help overcome barriers. It examines the institutional arrangements across levels of government, taxation policies and business support mechanisms that facilitate the success of the social economy. Drawing on evidence, consultations and best practices, the report offers actionable recommendations for policymakers, practitioners and stakeholders committed to strengthening the social economy. Country notes for EU Member States provide a more in-depth look at the social economy across Europe.

The report builds on a large body of OECD and EU work on the social economy, as well as of many communities of practice. This includes prior reports on legal frameworks and social enterprise development, country-specific social economy and social entrepreneurship reviews, and new data. Other sources include consultations and surveys of stakeholders such as the European Commission Expert Group on the Social Economy and Social Enterprises (GECES), the OECD informal expert group on the social economy and social innovation, the European Network of Cities and Regions for the Social Economy (REVES), Eurocities and the European Committee of the Regions (CoR).

This report was developed by the Centre for Entrepreneurship, SMEs, Regions and Cities (CFE), as part of the Programme of Work of the OECD Local Employment and Economic Development (LEED) Programme, jointly with the European Commission. It benefited from funding from the European Union.

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This report was drafted by Melis Aslan, Bruno De Menna, and Sofija Rakcejeva, Policy Analysts (CFE/LEED), under the supervision of Amal Chevreau, Head of the Social Economy and Innovation Unit (CFE/LEED). Nadim Ahmad, Deputy Director of CFE and Karen Maguire, Senior Counsellor in CFE, provided guidance, comments and suggestions.

The document benefited from inputs, comments, and country information from Brigitte Fellahi-Brognaux, Head of Unit for Inclusive and Social Entrepreneurship, Julien De Beys, Margit Perko, Miia Rossi-Gray, Baptiste Mandouze, Anna Galazka, Rúben Rebelo and Jaime-Manuel Duran Navarroas (Policy Officers) at the European Commission's Directorate-General for Employment, Social Affairs, and Inclusion as well as Pia Michelsen, Head of Sector at the VAT Unit and Albert Raedler, Policy Officer at the Directorate-General for Taxation and Customs Union (TAXUD).

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Executive summary

The social economy offers an innovative approach to addressing social and economic challenges, while also facilitating more people-centred approaches to different transitions. It creates jobs (6.3% employment in the EU), promotes inclusive governance through stakeholder participation and reinvests surpluses into social missions and local communities.

The social economy is active across numerous economic and social sectors, and includes a wide range of entities, social missions and legal forms. It generates a turnover of over EUR 912 billion in the EU, operating in sectors such agriculture, food, retail, banking, insurance, energy, housing, education, health and care. In many countries, social economy entities complement public services and serve as grassroot solutions to local needs. Their diversity influences the development of institutional frameworks and policies supporting the social economy.

The social economy offers opportunities to build sustainable competitiveness. It pioneers innovations in economic, social and environmental activities. It contributes to quality jobs as a direct employer and in supporting the training of workers. It also strengthens territorial cohesion across cities and rural areas, building on its local roots and addressing local concerns. As seen during the COVID-19 pandemic, the social economy also contributes to resiliency.

This joint OECD/EC report supports the implementation of high-level guidance by both institutions to integrate the social economy into broader socio-economic policies and to create measures that foster an enabling environment for its growth.

- **Part I** explores the role and contributions of the social economy to care services and housing, and their innovative approaches and solutions.
- **Part II** analyses existing framework conditions for the social economy, mainly 1) institutional arrangements across levels of government, 2) business support and 3) taxation.
- **Country notes** for EU Member States provide a comprehensive mapping of these three framework conditions.

Part I: The contribution of the social economy to care and housing

The housing and care sectors are increasingly critical policy priorities for inclusion and competitiveness, shaped by accelerating demographic change and mounting affordability pressures. An ageing population is driving sustained growth in demand for long-term care, while rising housing costs, limited supply and widening inequalities are placing significant strain on household and public budgets. To remain competitive, businesses need their workers to have access to affordable housing in their local labour markets and care for their families to be available for work. Meeting the growing demand for affordable and quality care will also contribute to the long-term sustainability of welfare systems.

Social economy entities are credible and strategic partners in delivering effective, accessible and people-centred care and housing solutions. Working closely with public authorities, they provide services through alternative models that prioritise quality, affordability and community over short-term profit. They strive to maintain high standards of transparency and accountability. Their capacity to mobilise local stakeholders, reinvest surpluses and innovate in service design and delivery enables them to address gaps that the public and private sectors may not be able to fill. To fully leverage their contribution, policymakers need to better understand how the social economy creates value and establish enabling policy frameworks to promote their expansion and long-term impact.

Care

The social economy has a strong presence in the care sector, including long-term care for older people, care for persons with disabilities and childcare. One in three Europeans is estimated to have caring responsibilities. The demand for long-term care services is already growing and expected to continue to grow with an ageing population. While most care is informal, i.e. provided by family and friends, social economy entities increasingly complement public and private services. They provide care in innovative ways, supporting ageing with autonomy, reaching rural areas, integrating health and social services, applying social innovation to improve delivery, and promoting quality working conditions for care workers. However, limited visibility of the sector and awareness of what the social economy does, staff shortages, and a lack of supportive frameworks hinder their ability to expand their contributions and provide more comprehensive services.

Given the rising share of care spending and shortages in care services, policy action needs to be two-fold: addressing needs of the care sector in general and the contribution of the social economy in it. The care sector overall can benefit from raising the profile of its occupations, fostering long-term partnerships to fill gaps and establishing shared standards and monitoring for quality. Policy can better recognise the social economy's role in the care sector through legal frameworks and procurement measures. These actions can help expand its quality-driven and locally accessible contributions that generate additional benefits such as local cohesion and community well-being.

Housing

Affordable and quality housing is another area where social economy entities are providing innovative solutions. In the 2025 Eurobarometer on urban challenges and investment in cities, four out of ten respondents and over half (51%) of responding urban dwellers identified a lack of affordable housing as an immediate and urgent problem. The housing sector also faces challenges related to the limited supply, quality and homelessness. Social economy entities are offering affordable housing options for vulnerable groups. They are also increasingly adopting energy-efficient, renewable and circular practices to go beyond cost-minimisation and promote sustainable and durable infrastructure. Social economy providers prioritise long-term affordability, resident participation and community benefit rather than profit, enabling them to reinvest resources into better services and maintain broader access.

Social economy entities, especially non- or limited-profit housing associations and co-operatives, can account for an important share of the housing stock. For example, housing associations provide almost a third of the housing stock in the Netherlands and a quarter of homes in Austria, while housing co-operatives make up 24% of the housing stock in Sweden, 16% in Poland and 12% in Czechia. They often complement housing provision with support services, such as care, financial education and legal aid. They also encourage community development through participatory governance and common spaces. Some social economy entities also promote inter-generational exchange where younger and older generations live in the same place, sharing care responsibilities for the elderly and children.

The potential and growth of social economy entities in the housing sector are constrained by many factors. These include regulatory barriers specific to their legal forms such as the lack of laws defining the scope and operational modalities of social economy housing entities, a lack of affordable land, difficulties with balancing affordability and sustainability, as well as limited long-term financing options. Policy opportunities to maximise the social economy's impact include: enabling legal frameworks that clearly define the scope of action for social economy housing entities (including their operational modalities and the available policy measures), access to affordable land through leasing public land, using zoning rules or offering land purchase loans, tailored financing (such as revolving funds, guarantees and subsidised interest rates), as well as partnerships with public authorities, financial institutions, the private sector and residents.

Part II: Strengthening framework conditions for the social economy

Better framework conditions for the social economy can facilitate its contributions across many economic and social sectors, including housing and care. This report considers three areas that have a particularly important influence on their activities: institutional, business support and fiscal approaches. Institutional recognition, supported by clear mandates and defined competencies at both national and local levels, can boost the visibility of social economy entities and facilitate their growth. Business support initiatives by the public and the private sectors can help scale their operations, enhance their capacity to professionalise, attract talent and develop financially sustainable and viable business models. Additionally, implementing preferential fiscal policies can encourage positive externalities such as social and community impact generated by the social economy.

Institutional arrangements across levels of government

At the intersection of social, economic and environmental policies, the social economy benefits from co-ordinated governance across local, regional, national and EU levels. Social economy policies are relevant not only at the national level, but also at the regional and municipal levels, as many social economy initiatives originate from local needs and community priorities. Across the EU, 11 Member States have both legal frameworks and institutions overseeing the social economy, and another seven EU Member States focus specifically on social enterprises. Having institutions with clearly defined responsibilities and mandates helps enhance the visibility and recognition of the social economy. While national frameworks can set overarching goals for the social economy, regional and local authorities are often better positioned to provide targeted support by translating these priorities into locally relevant actions. This involves close communication with social economy entities. Such co-ordination can also facilitate more informed resource allocation from the national government to local authorities.

Business support

Business support for social economy entities differs from that for conventional businesses, given their dual focus on social impact and financial sustainability. Particular needs include access to patient capital to allow long-term investments, specialised incubators with mentorship on social innovation, guidance to measure social impact and socially oriented procurement. Challenges such as financing gaps, skills shortages and scaling hurdles are often more pronounced for social economy entities. They face greater difficulties in obtaining loans or equity capital as their legal forms and participatory governance models may not be familiar to conventional financiers. They might face further administrative barriers compared to for-profit corporations. Better business support can increase their capacity to scale up, attract talent, access external financing and adapt to the digital transition.

Tailored business support for social economy entities should include a focus on their social impact, governance structures, stakeholder engagement and financial models. This means facilitating knowledge exchange, providing mentorship, connecting social economy organisations to local resources and partners, and helping them to adopt digitalisation. Policy efforts can prioritise measures such as clear national strategies, simplified legal frameworks, financing options adapted to their nature, integration of social economy entities into SME support programmes, responsible procurement practices and skills development.

Taxation

Taxation for the social economy typically includes tax measures for public benefit entities and/or social enterprises as well as incentives for financial support directed towards them. Measures may include exemptions or reduced rates for business income tax, VAT and social security contributions for hiring disadvantaged workers. Tax credits and incentives can also be used. These policies aim to recognise the social and economic value of the social economy, promote positive societal impacts, increase donations and investments, and create a level playing field with other businesses, such as SMEs. When well-designed, they can also support broader policy goals such as job creation, social cohesion, rural service provision, and affordable care and housing.

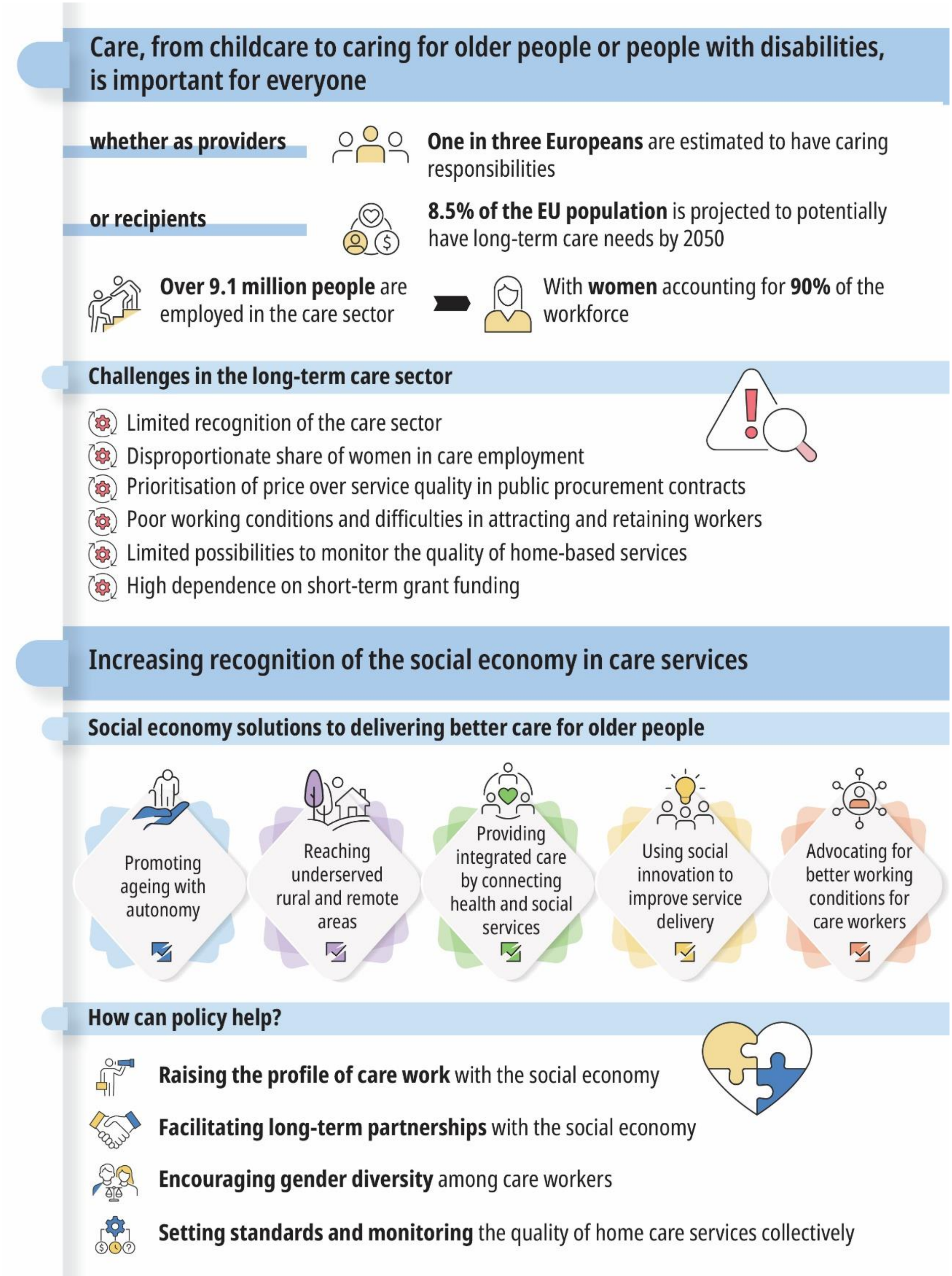
However, implementing tax frameworks for the social economy raises several challenges. Many social economy entities, in particular social enterprises with hybrid models combining economic activities and social missions, may be excluded from preferential measures. This exclusion was identified as a shortcoming by half of the respondents in the OECD/EC survey on taxation for the social economy. Additionally, complex and unclear tax language, along with burdensome reporting requirements, in particular for smaller entities, pose significant hurdles. The diverse legal forms within the social economy can also hinder the development of a coherent fiscal framework. To address these issues, measures such as establishing clear eligibility criteria through comprehensive legal frameworks, creating publicly accessible registers of eligible entities, implementing periodic reporting, providing transparent tax information, aligning state aid with competition laws and regularly evaluating tax expenditures can help leverage taxation effectively to support the social economy.

Part I The contribution of the social economy to care and housing

1 The social economy in care with a focus on ageing

Care is a common concern among Europeans. Based on estimates, one in three Europeans have caring responsibilities. Care needs are estimated to increase significantly, especially on the back of ageing population. The majority of care provision relies largely on family and friends. In many EU Member States, in addition to public and for-profit providers, the social economy is increasingly providing care services, offering alternative solutions such as home care and community-based services. They offer innovative models of care provision including ageing with autonomy, increased access in rural areas and integrated services while promoting innovation and advocating for better working conditions. However, they are constrained by challenges including limited sector visibility, staff shortages and the need for better framework conditions. Policymakers and public authorities can play an important role in addressing these barriers to fully unlock the capacity of the social economy to deliver high quality and accessible care services.

Infographic 1.1. Taking a look at the social economy in care



Source: Based on (European Commission, 2022[1]).

Care as a fundamental need

Rising caring responsibilities and needs in Europe

Care is an essential part of life for many people, whether they are receiving care, providing it or seeking professional care services. One in three Europeans is estimated to have caring responsibilities. Care services span a wide range of different activities from caring for older people or people with disabilities to childcare. As underlined in the 2022 European Care Strategy, access to quality care services has significant implications on living in dignity, upholding human rights, leaving no one behind and providing opportunities for better life and career prospects. (European Commission, 2022[1]). Similarly, the European Child Guarantee underscores the need to tackle social exclusion by guaranteeing access of children in need to free early childhood education and care among other key services (European Commission, n.d.[2]).

Long-term care refers to a range of medical and personal assistance services that support people who are dependent on help for daily living activities. These services include assistance with personal care (e.g. eating, washing, dressing, mobility), basic medical services (e.g. pain management, wound dressing, medication, prevention, health monitoring, palliative care) and instrumental activities of daily care (e.g. managing finances, grocery shopping) (OECD, 2024[3]; OECD, 2005[4]; OECD/Eurostat/WHO, 2017[5]). While ageing may significantly increase dependency, long-term care does not only address the needs of older people but of all people with limitations in physical and cognitive capacities.

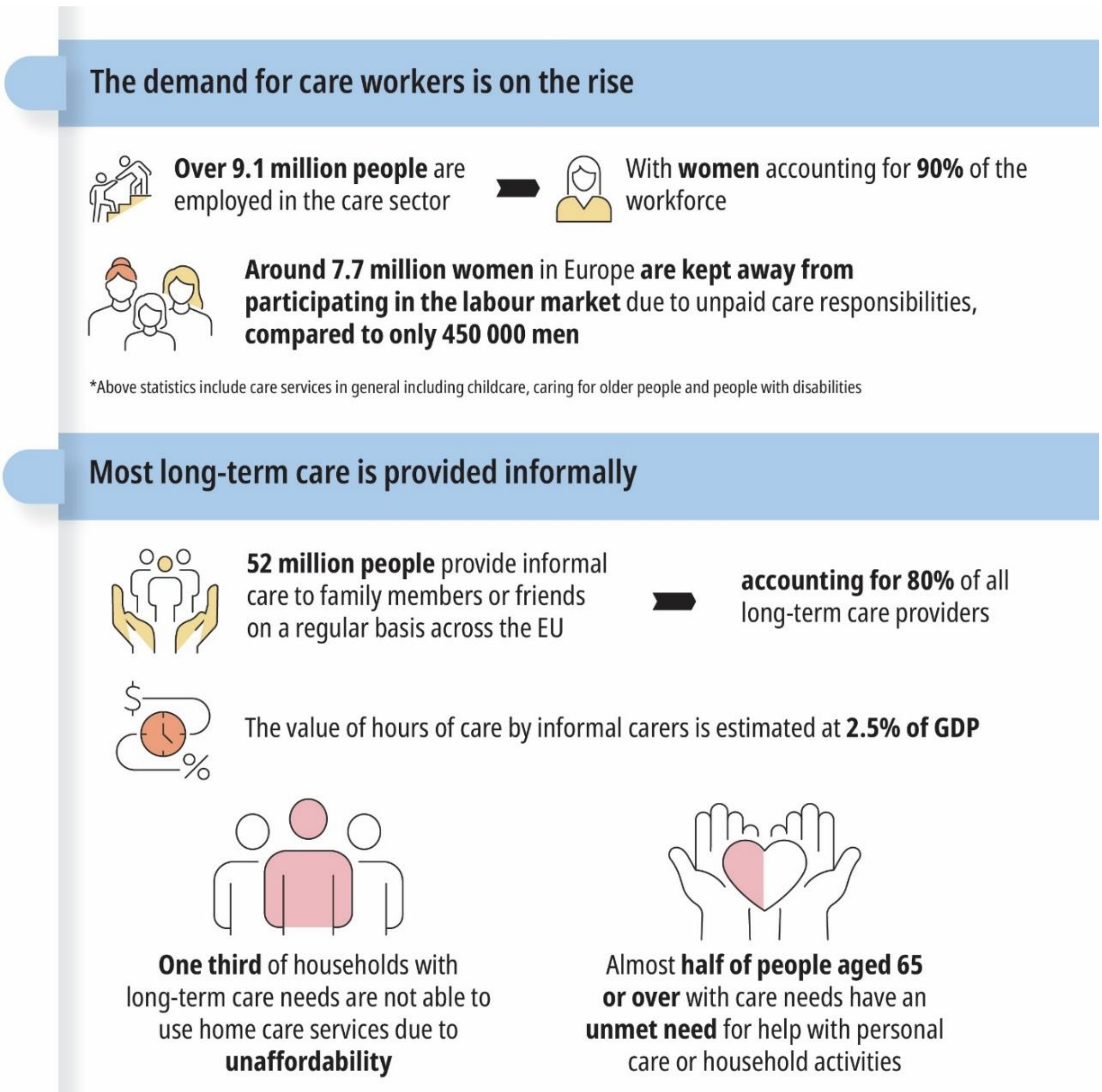
Across OECD countries, one in four older people (aged 65 and above) have long-term care needs. The demand for long-term care is projected to increase by almost 30% until 2050 in OECD countries (OECD, 2024[6]). European Union (EU) Member States are no exception. The share of people with long-term care needs is expected to rise from 11.6% in 2020 to 14.1% by 2070 (Belmonte et al., 2023[7]). The EU public expenditure on long-term care is projected to increase from 1.7% of GDP in 2022 to 2.6% of GDP in 2070, which is equivalent to an increase of expenditure by 48% (European Commission, 2024[8]). Similarly, current expenditures on long-term care in the OECD are expected to multiply by 2.5 times by 2050 (OECD, 2024[6]). Across the EU, objectives to promote healthy longevity are hampered by shortages in the health workforce with required skills (OECD/European Commission, 2024[9]).

In many EU Member States, care provision is reliant on "informal" care and family in addition to residential facilities. Around 52 million people are estimated to provide informal care to family members or friends regularly, which corresponds to 80% of long-term care providers (European Commission, 2022[1]). Public spending on long-term care depends significantly on whether care services are more often provided in formal institutional settings or by informal arrangements such as family members. In many southern, central and eastern European Member States, expenditure on formal long-term care services accounts for a smaller share of total spending compared to other countries such as Denmark, the Netherlands, Norway or Sweden (OECD/European Commission, 2024[9]).

Informal long-term care accounts for significant economic value in the EU. The value of hours of care by informal carers is estimated to correspond to 2.5% of GDP. This surpasses the average public expenditure on formal long-term care, which stood at 1.7% in 2019 (European Commission, 2022[1]). Across the OECD, only half of the people over 65 with severe limitations in daily activities receive formal care (OECD, 2023[10]). Notwithstanding, the care sector provides many opportunities for employment and public revenues. Investing in care services is estimated to generate additional tax revenues from jobs created and increased labour market participation, especially by women, reducing public funding requirements for care services (ILO, 2022[11]).

Providing care services, in particular childcare but not only, has important implications for female participation in the labour market. In the EU, 90% of over 9.1 million people working in the care sector are women. Women are also predominantly responsible for unpaid care, with 92% of them in the EU providing care regularly. Around 7.7 million women in Europe are kept away from participating in the labour market due to unpaid care responsibilities, compared to only 450 000 men. This translates into an increased gender employment gap by 11 percentage points, a further gender pay gap of 13% and a gender pension gap of 29%. Recent evidence shows that one-third of women aged 25-49 outside of the labour force indicated care responsibilities as the main reason for not seeking employment in the pre-pandemic 2019, compared to 7.6% of inactive men (European Commission, 2022[1]). Infographic 1.2. summarises some key facts on care employment including childcare and other types of care across EU Member States.

Infographic 1.2. Who provides care in the EU?



Source: Based on (European Commission, 2022[1]).

As the demand for quality long-term care rises in the EU, these services are often either unaffordable or inaccessible or both. It is estimated that one-third of households with long-term care needs are not able to use home care services due to unaffordability. On average, 26.6% of people aged 65 or over and 39.4% of those aged 75 or over living at home need long-term care. Almost half of people aged 65 or over with care needs have an unmet need for help with personal care or household activities. Similarly, half of children with disabilities are cared for only by their parents (European Commission, 2022[1]).

Affordability of long-term care services is challenging across EU Member States. According to the 2016 European Quality of Life Survey, 9.1% and 27.5% of respondents find cost *very difficult* and *a little difficult* respectively as a barrier to accessing long-term care services in the EU (Eurofound, 2016[12]). Challenges around access to long-term care services are echoed across OECD countries. According to the 2024 Risks that Matter Survey, 65% and 61% of respondents worry about accessing good-quality long-term care for themselves or for older family members respectively in the next decade (OECD, 2025[13]). Additionally, care services are unevenly distributed, with significant disparities affecting rural areas and poor households. The lack of affordable and quality care services further exacerbates place-based inequalities and poverty.

Long-term care services are not always comprehensively provided by the public and private sectors. Public authorities often grapple with constraints related to limited financial and human resources, impeding their ability to effectively serve all people with care needs independent of their location. Only half of people aged 65 or above with at least three limitations in activities of daily living receive formal care in OECD countries (OECD, 2023[10]). Such shortcomings in public provision are exacerbated given the increasing demand for care infrastructure and services. Furthermore, serving remote areas or marginalised groups may not be always attractive to private sector care providers due to factors such as low profit margins, long distances or limited public transport options.

Ageing in place with a focus on people-centred, deinstitutionalised and/or community-based care services is increasing in the context of long-term care provision for older people within the EU. These alternatives, often provided by social economy entities, cater to a broader range of needs while offering personalised and flexible support that can adapt to the circumstances of individuals and their families.

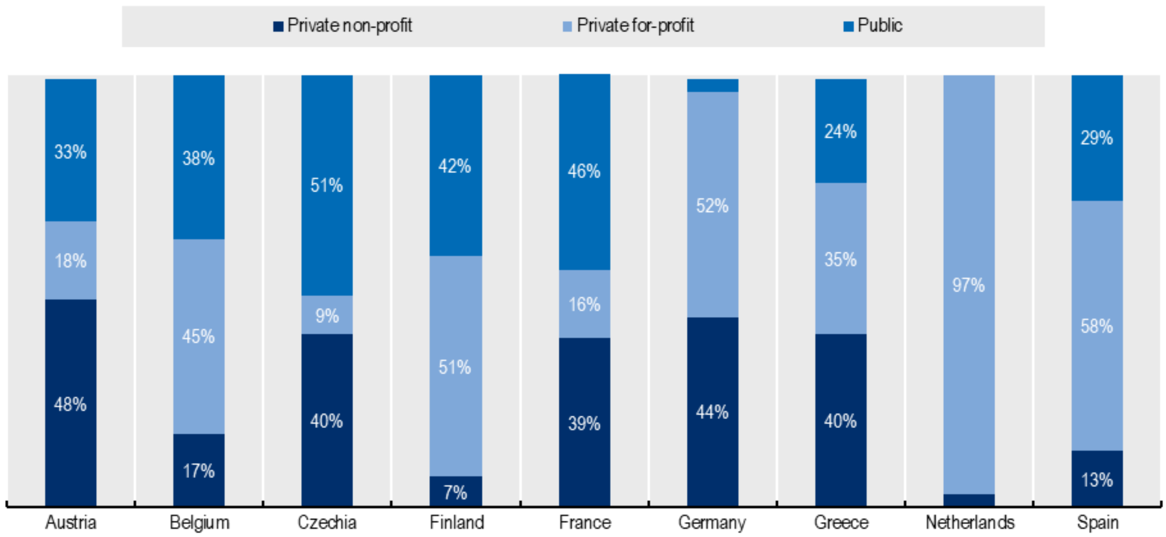
Community-based care creates connections to the broader community, which significantly enhances the quality of life for beneficiaries. Such services often involve collaboration among various stakeholders, including local organisations and volunteer networks, to ensure that care is not only accessible but also responsive to community needs (OECD, 2024[14]). Social economy entities interact with and serve vulnerable and marginalised local communities, which may experience difficulties accessing services of public and private providers (OECD, 2024[15]).

Increasing private supply (for-profit and non-profit) for care services

The last three decades have seen an increase in the engagement of private providers, both non-profit and for-profit in the care sector. Non-profit institutions have long supported public providers in some EU Member States, while for-profit entities are emerging, driven by market opportunities and policies promoting choice in care services. There is evidence from countries on the lower quality of for-profit suppliers compared to not-for-profit suppliers, with the former charging higher prices than the latter (OECD, 2024[16]). Although there is an increasing privatisation of services, the balance between profit or non-profit varies by country, while the public sector can still remain the main provider. Non-profit providers are mostly prevalent in Austria, Germany and Greece, while public providers are more active in Czechia, France, and Sweden (European Commission, 2022[17]).

Based on estimates, non-profit institutions represent a significant share of private long-term care services across Europe. They are estimated to account for almost a quarter of the long-term care sector with a market share of 22%, following the public sector (42%) and the private for-profit sector (36%) (European Social Network, 2021[18]). Data on the distribution of providers of care homes for older people by ownership indicates variations in the dominance of public supply by country, with non-profit care home providers making up as much as 80% (Figure 1.1) of private suppliers in some areas. While information on non-profit institutions is limited, it suggests a collaborative landscape where public, commercial, and non-profit providers coexist. This diversity underscores the need for integrated services and multi-stakeholder partnerships to enhance care delivery efficiency.

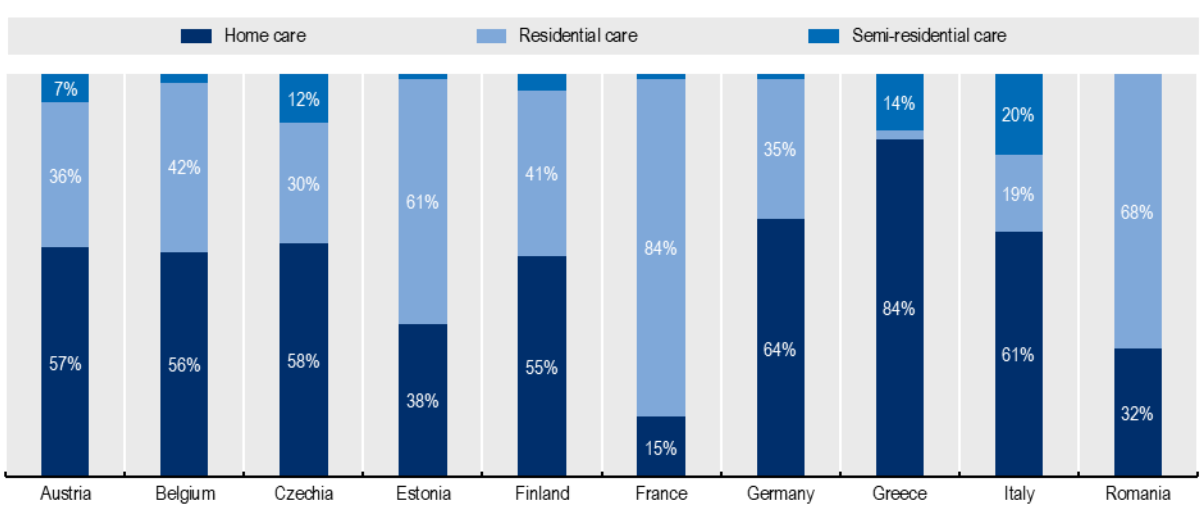
Figure 1.1. Supply of long-term care services for older people in some EU Member States by provider



Note: The data on the supply of long-term care services relate to the latest available year: Austria, Finland and Netherlands (2020); Belgium, Czechia, France and Spain (2019); Greece (2018); Germany (2017).
Source: Based on (European Commission, 2022[17]).

Countries predominantly have residential care services compared to home-based options. Home care and residential care services are more common than semi-residential services such as day care centres. These two types of services are more prevalent both in terms of the number of providers and the market share based on the number of recipients. Home care is often the most prevalent setting for long-term care services, followed by residential services. The promotion of home care as a preferred setting emerges as a policy theme across many EU Member States, in particular in France, Finland, Germany, the Netherlands and Sweden (Figure 1.2) (European Commission, 2022[17]).

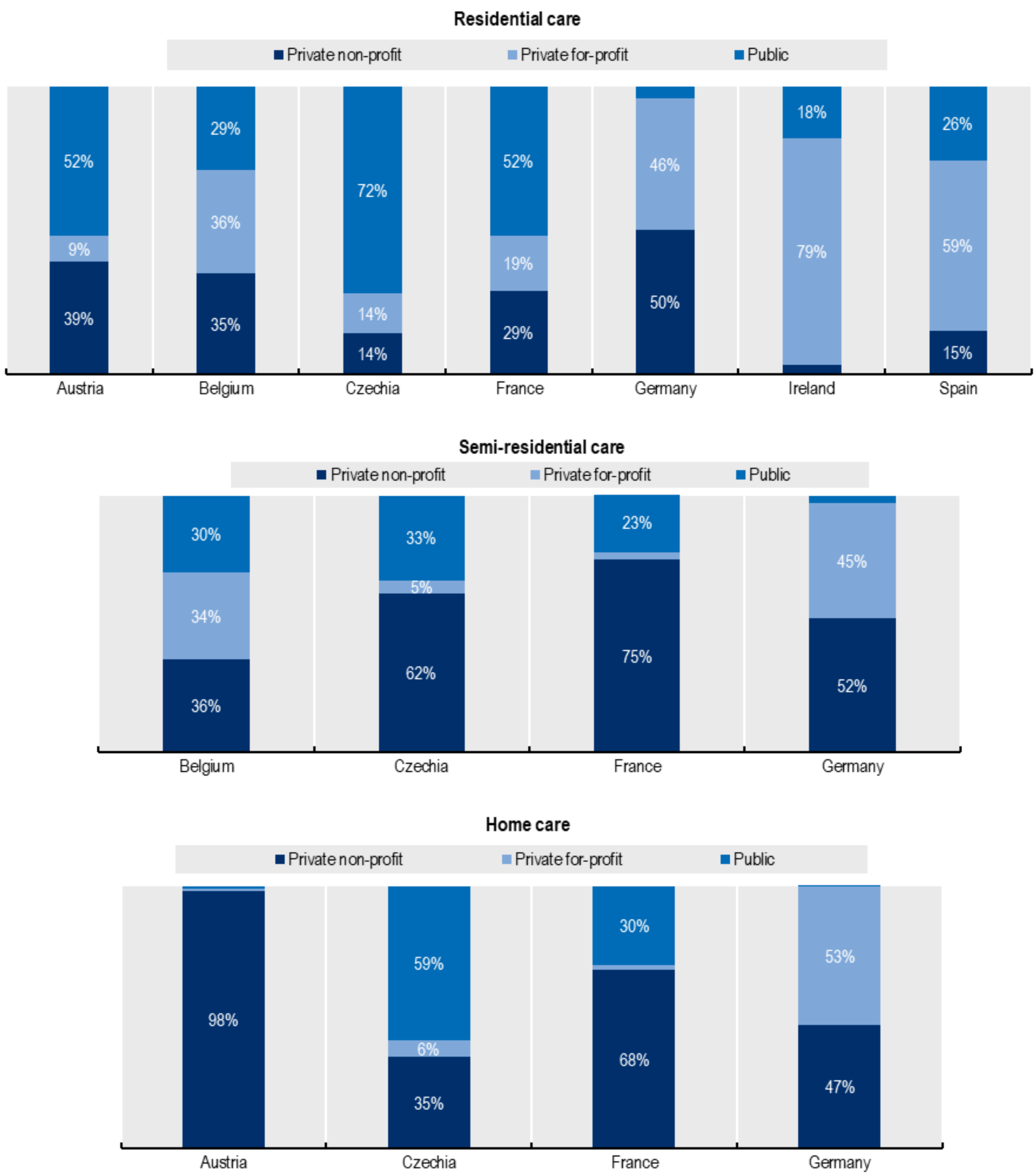
Figure 1.2. Where formal care for older people is provided in EU Member States



Note: The data on where long-term care services are provided relate to the latest available year: Austria and Italy (2018); Belgium, Estonia, Finland and Romania (2020); Czechia, France and Germany (2019); Greece (2017).
Source: Based on (European Commission, 2022[17]).

Available data show that the market share of non-profit providers based on setting varies across EU Member States. Non-profit institutions appear to be active in home care and semi-residential settings while residential care services show more diversity in the concentration of suppliers (Figure 1.3) (European Commission, 2022[17]). Given that home care and residential care services are more prevalent across Member States compared to semi-residential services, the contribution of non-profit institutions could be more pronounced in home care services. Nevertheless, non-profit institutions can still have a significant market share in residential care services, with some Member States, such as Germany, reporting a share as high as 50%.

Figure 1.3. Market shares of long-term care providers based on setting



Note: The data on long-term care settings relate to the latest available year: Austria, Belgium and Ireland (2020); Czechia, France, Germany and Spain (2019).
Source: Based on (European Commission, 2022[17]).

In many EU countries, non-profit organisations providing care services focus on enhanced accessibility and independent living. These factors could explain the high share of social economy entities in providing home-based services in some EU Member States (based on available data). Social economy entities are also found to provide alternative models such as community-based care to maintain autonomy and let people live independently where they prefer. The transition towards person-centred and community-based care has also been mentioned in 2023, in the Council of the European Union "Conclusions on the transition of care systems throughout life towards holistic, person-centred and community-based support models with a gender perspective" (Council of the European Union, 2023[19]). Promoting self-reliant models of long-term care before admitting people to facilities is also important to address increasing pressures on public finances. Improving cost-effectiveness, service provision efficiency and quality can be possible by providing care in the relevant setting.

How social economy contributes to long-term care

The Council Recommendation on access to affordable high-quality long-term care, which was adopted by the EU Council in 2022, highlights different roles for the social economy. Social economy entities are identified as important partners for public authorities in the provision of long-term care services. They are also well-positioned among relevant stakeholders to contribute to policy governance in long-term care. By participating in effective co-ordination mechanisms, they can help design, deploy, and monitor policy actions and investments (European Union, 2022[20]). This section looks at the different roles that social economy entities play both as providers and employers of long-term care services for older people.

The social economy as a provider of care services

Across the EU, human health and social care is one of the sectors where the highest number of social economy entities operate. Associations are prevalent in many EU Member States in providing human health and social care, followed by foundations and co-operatives. The same picture holds true when *human health activities* and *residential care and social work activitie*s are differentiated. In many Member States, associations account for almost 50% of social economy entities working in *residential care and social work activities.* Their share surpasses 85% in some countries such as Belgium, France, Germany, Luxembourg, Netherlands and Romania (European Commission, 2024[21]).

While data on social economy entities' involvement in care remains limited, some studies highlight the role played by co-operatives The co-operative care model, engaging diverse stakeholders, is mostly prevalent in Italy as well as Greece, Portugal and Spain (Girard, 2014[22]). In Spain, at least 1 000 co-operatives provide care services in residential institutions, day-care centres and as home care, employing 35 000 people. (CECOP, 2022[23]). Italy hosts one of the most prominent co-operative ecosystems for a wide range of care services, spanning from childcare to long-term care for people with disabilities and for older people (Box 1.1). Care services are provided by over 14 000 co-operatives to five million people, employing 400 000 workers in the country. In Emilia Romagna, more than 50% of social care is provided by social co-operatives while in Bologna, social co-operatives provide 87% of care services (Box 1.1).

Box 1.1. Social co-operatives as pioneers of care services (Italy)

The social co-operative movement started in Italy during the 1960s and 1970s in response to inadequate care services and funding issues. Over the years, it has expanded significantly across Europe, becoming a major care provider and source of employment. Social co-operatives offer a wide range of care services, including home care, socio-educational support, emergency assistance, nurseries, residential and day centres for both children and adults, foster care support and psychiatric rehabilitation (CECOP, 2022[23]).

- **Casa Bimbo Tagesmutter** is a social co-operative offering childcare and childhood education services using the Montessori method in the South Tyrol region. The co-operative has more than 150 employees operating throughout the province in 24 microstructures, 4 company nurseries, a Montessori nursery school and a *Tagesmutter/Tagesvater* (babysitting) service. For the vacation periods, special services as the “summer kids” and “school holidays” programmes are offered for children between 3-10 years old.
- **Spes contra Spem** offers residential and socio-cultural integration services for young people, minors at risk and people with disabilities. The social co-operative operates in the municipality of Rome through four family homes, where people with severe disabilities receive support and care. They also provide psychological support services and social integration activities (e.g. music/art therapy laboratory, accompaniment and interventions).
- **Gabbiano Servizi** is a non-profit social co-operative focused on people with disabilities. They offer day and residential services aimed at enhancing autonomy and socialisation targeting adults with psycho-physical disabilities. For students with disabilities, they offer educational-social assistance support services carried out at various reception facilities.
- **Cadiai Social Co-operative** seeks to contribute to Bologna’s community by providing services focused on children, older people, people with disabilities and people in vulnerable situations. Their childcare services include the management of nurseries and kindergartens focused on innovative learning methods, special services to children with autism and a day centre for children and teenagers with disabilities. For adults with disabilities, the co-operative manages residence, day centres and a home care service, offering personal assistance.
- **Seacoop** is a social co-operative operating in Imola and Emilia Romagna. They provide educational and care services to children in 11 different locations. For adults with physical and mental disabilities, the co-operative offers residential and semi-residential services in eight locations, including residences, day centres and socio-occupational centres.

Source: (CECOP, 2022[23]; Casa Bimbo Tagesmutter, 2025[24]; Spes contra Spem, n.d.[25]; Gabbiano Servizi, 2020[26]; Cadiai Social Cooperative, n.d.[27]; Seacoop, n.d.[28])

Social economy entities, mostly co-operatives, are active in all types of care services including childcare, care for persons with physical and mental disabilities and care for older people. There are examples such as parent co-operatives, which parents organise to provide care for their children (Box 1.2). These are models where parents have direct involvement and decision-making power over the co-operative's activities. As such, they also can have greater transparency on how their children are cared for.

Box 1.2. Parent co-operatives providing transparent childcare (Sweden)

Parent co-operatives, commonly known as "parent co-ops" provide childcare where families are actively involved in the governance, operations and processes. In Sweden, quality of these co-operatives is developed through a parent-to-staff dialogue, who co-produce the services together. The quality provision of parent co-operatives is driven by the close collaboration between parents and educators, a low child-to-adult ratio and a personalised, play-based curriculum.

- **Ulvarna's parent co-operative** offers pre-school education in a rural environment in Ulvsby, Karslatd. The preschool provides education services to 20 children led by a professional staff team of four educators. Parents collectively own the centre and are closely involved in its development and direction. The professional staff follows pedagogical and educational goals, aligning their educational offer with municipal kindergartens.
- **Villa Gorilla parent co-operative** is a small-scale preschool based in Stockholm. Villa Gorilla is a staff and parent co-operative as the directive board is composed by both parents and staff. They offer childhood education services in small groups to a total of 26 children between the ages of 1 and 6, focused on creativity and children's autonomy.

Source: (Good2know Network, 2023[29]; Vamstad, 2012[30]; Ulvarna's parent cooperative, n.d.[31]; Villa Gorilla parent co-operative, n.d.[32])

Evidence shows that care for older people is the most common service co-operatives provide in the care sector, while operating in other areas (ILO, 2016[33])**.** According to a 2016 survey conducted by the International Labour Organization worldwide, co-operatives serve a wide range of populations with diverse profiles including most often their members and other clients. Care for older people emerges within all care services as the most common area of activity for co-operatives. Care for older people is found to have the highest share of responses (over 40%) among other types of care services (ILO, 2016[33]).

Co-operatives' participation shows a similar distribution as for non-profit institutions in home care, residential care, and semi-residential settings. Care for older people is often provided through care facilities, day care centres or homes. Services are most likely to be provided in co-operative centres or facilities (37.2%), homes (32.6%) or a mix of both (34.9%) (ILO, 2016[33]). This highlights that social economy entities provide care with more flexibility and in diverse settings**.** Home-based and day care services emerge more often while public providers are prominent in residence-based services. For example, in Spain, six out of ten organisations providing home-based care for older people are part of the social economy. Additionally, co-operatives have emerged as the most significant legal form within the social economy for providing care services in Spain, accounting for 6.3% of the care economy (CEPES, 2023[34]). In France, the social economy accounts for 65% of all private jobs in home-based care services for older people (ESS France, 2022[35]).

Countries with well-developed institutional and legal frameworks for the social economy are increasingly looking into its sectoral contribution in care services. Box 1.3 gives an overview of the share of the social economy in providing care services in Spain based on data published by the Business Confederation of Social Economy (CEPES).

Box 1.3. Contribution of the social economy to care services in Spain

Private providers, whether for-profit or non-profit, are important actors in Spain to provide care services. A 2022 European Commission study found that 29% of long-term care services for older people were offered by public providers, while the rest is covered by for-profit and not-for-profit entities (European Commission, 2022[17]).

The Spanish Business Confederation of Social Economy (CEPES) published detailed information on the contribution of the social economy to care and other social services. Data shows the significant share of the social economy in providing care services in the country with four out of ten entities in care and other social services belonging to the social economy. Table 1.1 summarises the participation of social economy entities in care services in Spain.

The weight of the social economy is particularly pronounced in the non-residential services for older people, along with residential services for persons with intellectual disabilities and mental health issues. Commercial companies account for a higher share of private residential services, especially for older people and disabled persons. Overall, social economy entities account for an important part, 41.3%, of the private supply of care services in the country (CEPES, 2023[34]).

Table 1.1. The participation of social economy entities in the care sector in Spain

	Share based on the percentage of all enterprises in each field of activity	
	Social economy	Commercial companies
Private supply of care services	41.3%	58.7%
Non-residential services for older people	64.4%	35.6%
Non-residential social service activities for older people	64.4%	35.6%
Residential services for persons with intellectual disabilities and mental health issues	57.8%	42.4%
Residential assistance for older people and disabled people	21.3%	78.7%
Residential assistance with healthcare services	26.3%	73.7%

Note: Care services include care services and other social services. All data relate to 2021.
Source: Based on (CEPES, 2023[34]; CEPES, 2022[36]).

The social economy as an employer in the care sector

In addition to being a major provider of care services, the social economy is a major employer of care workers. The care sector employs over 3.3 million people across the EU social economy. *Human health and social care* are where most employment is concentrated in social economy entities. In many EU Member States, associations are the largest employers within social economy entities in residential care and social work sectors, accounting as much as 97.9% of the workforce in residential care and social work activities in Belgium, 95.5% in Luxembourg, and 92.4% in France. The sector in Italy, on the other hand, is characterised by the prevalence of social co-operatives, which account for almost 79% of employment by social economy entities in the residential care and social work sectors (European Commission, 2024[21]).

Innovative solutions by the social economy to deliver quality and affordable care

Demographic and technological shifts are transforming the care sector and care service delivery. An ageing population drives the demand for long-term care, while increased life expectancy allows more individuals to receive care more independently in their homes and communities. The social economy is exploring digital solutions to enhance access for those in need, including in rural areas.

EU Member States are moving from traditional, formal, residential care models to more independent, home-based care. The social economy plays a major role in this transition by fostering local engagement and innovation. Their person-centred approach promotes intergenerational interactions, diverse roles in care provision, and greater collaboration among health professionals, social workers, and private providers (CEPES, 2023[34]). Social economy entities are also driving the development of new service provision types such as community-based models and intergenerational structures coupled with housing provision.

Accessibility and affordability of care services have important implications on employment, especially of women. Care responsibilities often deter individuals, in particular women, from seeking jobs. Expanding access to affordable care services, in particular childcare, can enhance female workforce participation and help narrow the gender employment gap (OECD, 2023[37]). As social economy entities often focus on providing care services in an accessible manner, they play an important role in helping support the integration of women into the labour force (OECD, 2023[38]).

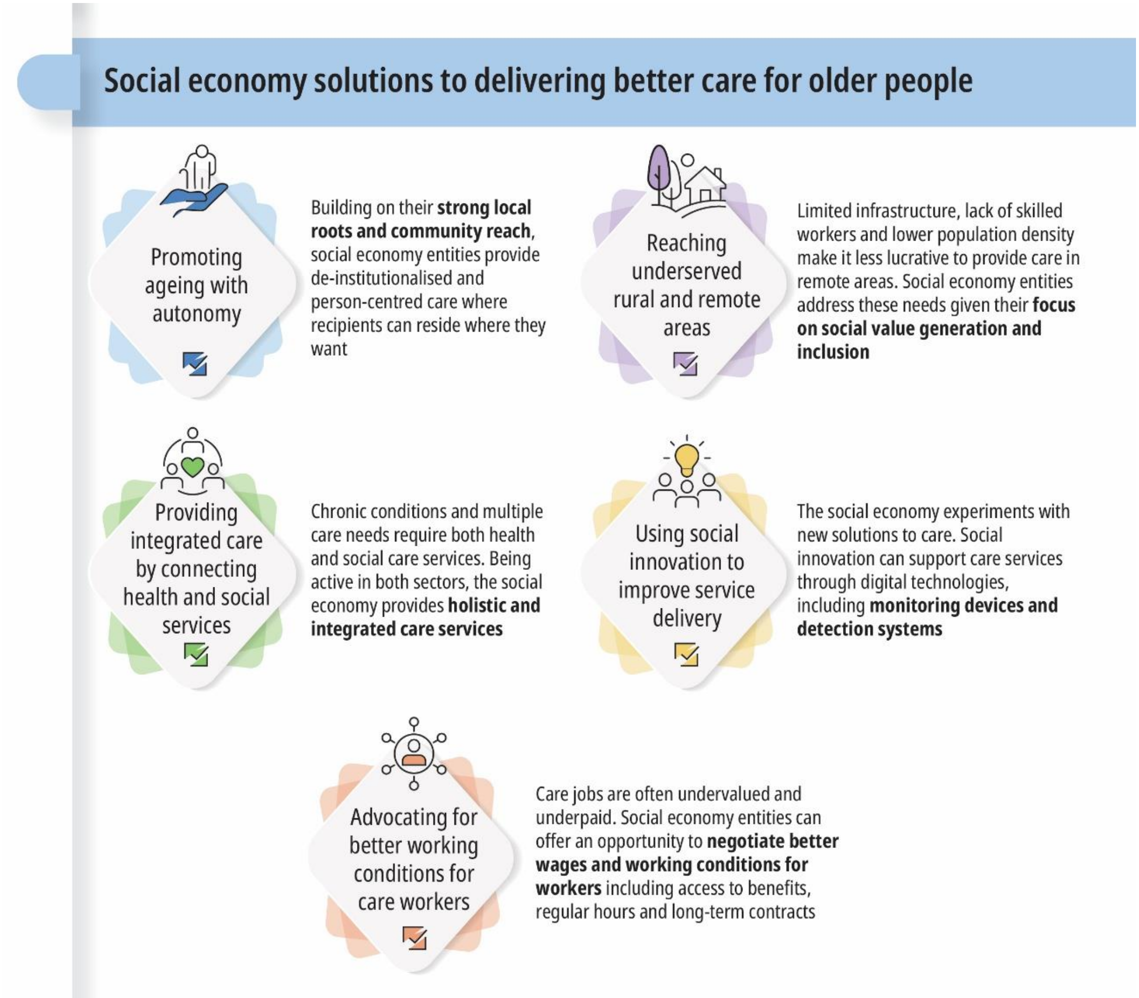
Public and for-profit providers may tend to focus on urban areas with lower costs due to higher population density and better infrastructure. In contrast, social economy entities are more active in rural care service provisions. For example, in France the social economy accounts for 175 910 jobs in home care for older people. This corresponds to 65% of all private jobs in this sector and 90% of those in rural areas (Observatoire National de l'ESS, 2022[39]). In Spain, social economy entities accounted for 14.2% of all enterprises operating in care and other social services in medium-sized cities and rural areas in 2021, while commercial companies represented only 1.9% (CEPES, 2023[34]).

Given the various challenges within the care sector, the European Care Strategy acknowledges the significance of the social economy in enhancing care provision. The social economy is particularly recognised for 1) contributing to high-quality standards in care delivery and 2) promoting fair working conditions. Care services heavily rely on human interactions, making their quality not only dependent on infrastructure but also on the relationships established between carers and recipients. This two-way dynamic prioritises the well-being of care providers, who often face low wages and high levels of mental and physical fatigue due to the demands of the sector.

The social economy distinguishes itself from public and for-profit care providers through its unique characteristics and innovative solutions. This is achieved through five ways (Infographic 1.3.):

1. promoting ageing with autonomy,
2. serving rural and remote areas,
3. providing integrated care by connecting health and social services,
4. using social innovation to improve service delivery, and
5. advocating for better working conditions for care workers.

Infographic 1.3. How does the social economy provide accessible and quality care services?



Promoting ageing with autonomy

Home and community-based care is gaining attention as a means to provide support in more autonomous environments to care recipients. There is an increasing trend among Member States to promote de-institutionalised care settings such as home care compared to residential care. This is driven by increasing demand for care services outpacing the supply, long waiting lists, marked differences across countries for the availability of residential care infrastructure, and fiscal pressures (European Commission: Directorate-General for Employment, Social Affairs and Inclusion, 2021[40]).

The social and local embeddedness of the social economy typically allows it to prioritise communities and tailor social services to local needs. In long-term care, social economy entities are very active in providing de-institutionalised services such as home care through various settings using social innovation. See Box 1.4 for examples of social economy entities providing care services where the people receiving care services can stay in their environment.

Box 1.4. Delivering services where the beneficiary resides – Some examples

The social economy is particularly active in bringing care services to wherever the care-receivers already reside. Such home-based and community-based methods provide the beneficiaries with a chance to have more autonomy and continue independent living as much as possible. Many different social economy entities provide these services across EU Member States:

- **Germany:** ***Seniorengenossenschaft Riedlingen*** (Senior Citizen Co-operative Riedlingen) is a registered non-profit association operating in the south-west of Germany, providing both day care and home-based care services to senior citizens in need. It does so by following a self-help structure whereby citizens care for other senior members in their community. The carers in this structure have a "time account" system where they save the hours that they provided working for other citizens, allowing them to use these saved hours to receive care themselves when they become the ones needing care. Saved hours can also be turned into outpayments in cash when requested.
- **Netherlands:** Translating to "neighbourhood care", ***Buurtzorg Nederland****,* a non-profit organisation that delivers home-based care services through community nursing, has emerged among the leading examples of providing holistic and personalised long-term care through the effective use of community resources. Buurtzorg Nederland's structure is based on self-governing groups of nurses dedicated to specific neighbourhoods that address different care and support needs of individuals in need of help in the community. They also provide training to promote self-care capabilities of beneficiaries to increase autonomy. Buurtzorg Nederland has a client council consisting of care recipients, their family members and/or informal caregivers so they can have a say in the quality of care provided. Buurtzorg Nederland has been long associated with providing higher satisfaction both for care receivers and nurses providing care as well as at lower costs of providing long-term care (KPMG, 2015[41]; Gray, Sarnak and Burgers, 2015[42]).
- **Portugal:** ***ACAIS*** **(*****Association of the Support Centre for Older People of São João*****)** is a non-profit organisation serving legally as an entity of public utility. ACAIS operates a day centre and a home support service for older people with a focus on encouraging them to remain in their usual environment, preventing dependency and promoting autonomy. Services provided include personal and housing hygiene care, home monitoring, medication assistance and tele-assistance, and provision of meals among others. ACAIS is committed to promoting strategies for developing autonomy for beneficiaries while facilitating access to community services.

Source: (Seniorengenossenschaft Riedlingen, n.d.[43]; ACAIS, n.d.[44]; Buurtzorg, n.d.[45]; Gray, Sarnak and Burgers, 2015[46]).

The social economy also provides autonomous modalities of care provision such as community-based or intergenerational settings. In such environments, the care recipient does not only receive services as a beneficiary but also has a say in the quality of the services delivered. They can also sustain lifestyles that are less dependent on an immediate care giver, while their daily and other care needs are attended for. Certain co-operatives, for example, combine care with accommodation to provide intergenerational housing, which offers a space for regular interaction across different generations. Box 1.5 provides an example from France.

Box 1.5. Empowering older people through more autonomy in care provision: Les 3 Colonnes (France)

Older people may prefer home-based care over institutionalised care, given the numerous benefits it offers. For instance, home care enhances one's sense of belonging, fosters an environment that promotes independence and autonomy, and is often more cost efficient, especially with rising costs due to limited space in nursing homes.

Les 3 Colonnes, a French social co-operative founded in 2013, enables older people to live in their own homes, while also receiving monthly annuities and care. With over 70% of French retirees owning their homes, the co-operative developed an innovative model in which beneficiaries join the co-operative by selling their property. In exchange, the co-operative provides them with monthly pensions, helping to fund their ongoing support and maintenance needs. Beyond this, Les 3 Colonnes also provides additional services in return, including medical help and care, occupational therapy, entertainment, exercise and nutrition, allowing seniors to remain independent, comfortable and healthy within their own homes.

The financing behind this model is made possible through funding gathered from over 7 000 funders and solidarity partners. Consequently, Les 3 Colonnes own and manage high numbers of properties, currently worth approximately EUR 170 million, which is redistributed to its 600 beneficiaries in the form of monthly annuities. Moreover, following the departure of a resident, the co-operative resells or rents the accommodation which generates profit that can be reinvested for new beneficiaries, creating a self-regenerating model.

Source: (Gish, 2023[47]; Les 3 Colonnes, 2024[48]; CECOP, 2021[49]).

By bringing the community into care provision, social economy entities address ageism and isolation among older people. Many social economy entities work to advance social inclusion both across different socio-economic groups and ages. By providing sustainable and independent solutions to long-term care, the social economy places older people not only as mere customers but also beneficiaries and participants of their communities where they can actively engage. This engagement is further facilitated by the social economy's capacity to mobilise volunteers and other stakeholders to contribute to the community well-being.

The participatory governance model of co-operatives, mutuals and the social economy broadly, allows the inclusion of all care stakeholders. In such models, beneficiaries of care services also have an opportunity to shape how care services are delivered. Inclusion of all stakeholders and participatory decision-making fosters co-ordination across the care chain so workers, beneficiaries and other stakeholders such as families have a say in care delivery (Girard, 2022[50]).

Serving rural and remote areas

Rural areas struggle with shortages of care services. Limited transportation infrastructure, lack of skilled workers and lower population density make it less lucrative for market providers while public providers may not be enough to cover remote regions. The lack of available services increases dependence on informal care services while the availability of residential facilities in rural regions is not uniform across Member States. Against this backdrop, home care and community-based care have more potential especially in rural and remote areas.

The social economy is often a provider of social services in rural areas. Social economy entities operate in rural areas as they are not driven by profit maximisation. They are also more interested in operating in underserved areas to reduce regional disparities in access to services (see Box 1.6 for examples). Social economy entities often complement public and market providers in rural areas given their capacity to hybridise market and non-market resources (e.g. volunteers) and state aid (Girard, 2014[22]).

Box 1.6. Social economy entities meeting long-term care needs in rural and remote areas – Some examples

Many social economy entities are offering care services in rural areas where public and for-profit providers are less prominent. These services provide less dependence on public and institutionalised care, while promoting community engagement and preventing depopulation in rural areas.

- **Germany:** ***GenoEifel eG*** is a co-operative operating in the Eifel region in western Germany, which is a rural area suffering from depopulation and limited basic services including public transport. GenoEifel eG provides an intergenerational co-operative model where older people in the community offer childcare before and after kindergarten hours, young people provide babysitting and older people are offered home-based care services including help with transport, household maintenance and shopping. GenoEifel eG represents a sustainable model where older people can benefit from staying in their homes as much as possible while community cohesion in the region is strengthened through intergenerational co-operation.
- **Italy:** The social co-operative ***Mit Bäuerinnen lernen-wachsen-leben (Learning- growing-living with women farmers)*** provides childcare and care services for older people in South Tyrol. It uses an innovative model of care whereby older people are offered a flexible semi-residential accompaniment whereby beneficiaries are cared for by host families living in rural areas. This model around social farming emerged in response to concerns over the efficiency of institutional public services. The co-operative offers family-oriented care while actively integrating people in farming life, increasing community engagement.
- **Netherlands:** ***Zorgcoöperatie Hoogeloon*** is a care co-operative established by the residents of Hoogeloon, a village in North Brabant with over 2 300 inhabitants, to organise care services for older people in the community. The co-operative provides home-based care services in addition to a day care centre. Zorgcoöperatie Hoogeloon aims to improve the quality of life for older people, people with dementia and people with disabilities through a personalised provision of care in their own setting, thereby preventing forced departures of people from the community.
- **Spain:** ***COCEDER (Confederation of Rural Development Centres)***, a non-governmental organisation (NGO) of social action serving public utility, developed the project "Biocuidados (Biocare)" in Spain to provide comprehensive care services in rural areas. The initiative offers personalised care to older people by integrating social, health care, and home support services tailored to the unique challenges of rural living. Through a network of local centres and community co-operatives, Biocuidados aims to ensure that older people in remote regions receive the assistance they need to remain in their homes, stay connected with their communities, and live with dignity. The project was implemented in 18 rural areas.

Source: (GenoEifel eG, n.d.[51]; Seniorenbetreuung, n.d.[52]; Giuliani, 2017[53]; Zorgcooperatie, n.d.[54]; COCEDER, n.d.[55]).

Providing integrated care by connecting health and social services

Long-term care needs can be complex, often necessitating support from various providers at different levels. Chronic conditions and multiple care needs often lead individuals to seek assistance from both healthcare professionals and social care providers. However, these services do not always work in harmony with one another. A fragmented care system can have significant implications for the quality and cost of service, as well as for the ability to anticipate future health needs. To address this issue, an integrated approach to delivering care services is essential, one that centres around individuals' needs and adapts to diverse settings (OECD, 2021[56]; OECD/European Commission, 2024[57]).

Social economy entities often adopt more holistic and integrated approaches to long-term care. They have a unique ability to identify and integrate the needs of a diverse range of stakeholders into service delivery design. Collaboration and co-operation are fundamental values for such entities, enabling them to form numerous partnerships with public and private for-profit organisations to address complex societal challenges and facilitate resource access (OECD, 2023[58]). Their collaborative nature and emphasis on well-being enable them to connect various stakeholders, ensuring a seamless continuum of care. By leveraging their local presence and expertise in fostering co-operation, these entities effectively address place-based needs. This empowers them to design and implement care models that seamlessly integrate medical, social, and support services across different sectors and levels. See Box 1.7 for an example of co-operation between a local authority and a foundation to deliver integrated care services for older people in isolated communities from Romania.

Box 1.7. Integrating health care and social services to provide holistic care – Some examples

Social economy entities operate actively in social services and health care sectors. Their history of building strong collaborations with public authorities as trusted partners places them at an advantage to integrate and connect different care and social services both in home-based and residential settings.

- **Italy:** ***Auxilium*** is a social co-operative active in health, social assistance, and educational services. The co-operative provides home-based, semi-residential and residential care services for older people. Auxilium focuses on providing integrated home care with a focus on continuity of services and combining health care with social development in communities. Their home care services in the southern region of Basilicata have become one of the most developed models (known as the Venosa model) of home-based care service provision through successful partnerships between the public and private sectors, which generated high patient satisfaction (such as 90% of users rating the home care service as generally good). In this model, integrated care services are provided under the clinical governance of the local health authorities with a focus on ensuring continuity of care so people with dependency can be treated at their homes instead of hospitalisation.
- **Romania:** ***The Community Support Foundation (Fundația de Sprijin Comunitar)*** is a non-profit foundation operating in the eastern region of Bacău County. Their services include providing home-based, day care and residential care services for older people. Its project, titled "A beautiful life and much respect for vulnerable seniors!", co-financed by the Bacău County Council, aims to develop integrated and high-quality services for older people in residential care. The project focuses both on improving the infrastructure and facilities for residential care in the Milly Senior Village in Buhuși, while also increasing the well-being of beneficiaries through outdoor and intergenerational activities.
- **Spain:** ***ASPAYM Castilla y León*** is a non-profit association that primarily aims to improve the quality of life for people with disabilities and provide care services for older people. The association's "Integrated Care in the Rural Milieu" (*Atención Integral en el Medio Rural*) programme is designed to enhance the quality of life for older people, people with disabilities,

and those in situations of dependency residing in rural areas of Castilla y León. Initiated in 2016, the programme offers a comprehensive suite of services tailored to support personal autonomy and well-being within the community including personal assistance, health and accessibility guidance, physiotherapy treatments, socio-sanitary aid and active aging initiatives. The programme is implemented in partnership with local and regional authorities, which provide guidance on selecting rural communities, facilities, and funding.

Source: (Auxilium, n.d.[59]; CECOP, 2019[60]; Fundația de Sprijin Comunitar, n.d.[61]; Red de Buenas Prácticas, n.d.[62]; Auxilium, 2023[63]).

Mutual societies[1] also provide integrated care services connecting social services and health care services given their prominence in these sectors. They are particularly active in providing insurance, health care and social protection services in Belgium and France. Box 1.8 presents an example of a non-profit mutual association providing integrated care services in Belgium.

Box 1.8. Mutuals for an innovative, holistic and integrated approach to care: Solidaris (Belgium)

Solidaris is a non-profit mutual association operating in Belgium with a significant presence in the insurance sector, guided by the principles of solidarity and inclusiveness to promote well-being. In addition to insurance services, Solidaris also has activities around health promotion, mental, physical and social well-being and long-term care. Given their wide footprint on the health and social protection space, serving over 3.2 million members and over 2.1 million main policyholders, Solidaris actively engages in initiatives focused on the integration of care and health services by following a holistic approach centred on providing care based on individual needs:

- ***MASANA project:*** Masana is an innovative project aiming to integrate home care services and assistance through advanced digital technologies. These include an online case management platform to co-ordinate care services, and digital tools to monitor post-operative patients in their homes. A multidisciplinary team of health care professionals collaborates to deliver comprehensive and personalised care plans, integrating health and care services while family carers are also trained to help manage day-to-day care.
- ***Assistance 2.0 project:*** This initiative seeks to strengthen the integration and co-ordination of home care and assistance services through digital solutions. A centralised platform helps co-ordinate care provision by managing medical files and facilitating the flow of information between care providers, families and other stakeholders. The project also makes use of monitoring devices and digital assistance to monitor seniors' daily activities which can send alerts in cases of emergency. Health care professionals collaborate to provide support to seniors through a person-centred approach in care where health and care services are intertwined.
- **Federation of Home Service Centres *(Fédération des Centres de Services à Domicile):*** The federation represents different structures providing home assistance, care and co-ordination services. It focuses on supporting beneficiaries in their own homes by connecting different professions involved in care provision including health care professionals to provide comprehensive and co-ordinated care. Its services also prioritise the affordability of these services as well as involvement of family carers in the process.

Source: (Solidaris, 2022[64]; Masana, 2023[65]; Solidaris, 2025[66]).

Using social innovation to improve service delivery

While care remains a labour-intensive sector, social innovation and digitalisation are changing how care services are delivered. Innovative technologies are increasingly used in the delivery of long-term care services, enhancing functions such as matching care providers with beneficiaries, removing administrative burdens, workforce planning, and remote monitoring of care recipients for timely interventions. Additionally, platform co-operatives are emerging as models for delivering location-based online care services in many countries. (OECD, 2023[67]).

Social innovation can support care services through digital technologies, including monitoring devices and detection systems. This form of "telecare" offers continuous care and support empowering older people with greater autonomy. By enabling communication during emergencies through button-activated devices or sensors, telecare ensures prompt assistance and promotes independence for users while also preventing situations of insecurity, isolation, or loneliness. See Box 1.9 for an example from Spain on how social innovation can be used to provide better care for older people.

The social economy actively explores alternative models for delivering goods and services, often leading to significant social innovation. Social economy organisations typically experiment place-based solutions to tackle social challenges, drawing on innovative business practices and collaborative partnerships (OECD, 2021[68]). Their emphasis on partnership formation and engagement with support networks further enhances this capacity for experimentation and innovation.

Box 1.9. Catalysing social innovation to provide better care: Suara Cooperativa (Spain)

Suara Cooperativa is a social and non-profit co-operative operating in the care sector, offering telecare services for older people by installing devices in the homes of those being cared for, serving more than 82 000 households. Beyond this, Suara also provides home-based care, which supported 18 613 seniors in 2023, enabling older people to continue living in their own homes, as well as several types of residential care to meet diverse needs. For instance, the co-operative operates day centres, serving 308 individuals last year, where different activities designed to improve cognitive functions and physical well-being are carried out. Additionally, Suara manages serviced and sheltered housing – accommodations that allow autonomous older people to remain active and socially engaged within their communities – for more than 300 individuals, as well as assisted living, benefitting 517 seniors by accompanying them through the ageing process in dedicated residential facilities.

In 2023, Suara also launched its own social innovation laboratory, the Social Digital Lab. The laboratory engages with start-ups to pilot test emerging innovations that address various areas of action, including well-being, care, active ageing and preventative health. A prime example is ROB-IN, a prototype robot engineered to support people to age at home, while also enhancing the efficiency of professional caregivers. Furthermore, caregivers can input specific patterns into the robot's behavior and receive reports on changes in the user's habits and routines, largely improving the overall quality of care.

As a co-operative, Suara operates on a horizontal and democratic model that values participation. The primary governing body is the general assembly where all 1 574 members have the same right to speak and vote. With the objective of providing high quality care for older people, Suara also partners with external organisations, such as the Connected Homes project with the Ministry of Social Rights, which strives for dependent seniors to feel safe and independent in their own homes by forming an at-home support system with digital technologies, such as voice devices, smartwatches, and sensor networks.

Source: (Suara Cooperativa, n.d.[69]; Suara Cooperativa, 2023[70]).

Advocating for better working conditions for care workers

Care jobs are often undervalued and underpaid. Personal care workers in residential care earn 71% of the economy-wide average wage, while the margin is higher for those in non-residential care making only 67% of the average wage (OECD, 2023[10]). The gender pay gap also contributes to lower wages as most workers in care are women. The concentration of migrant workers may limit their ability to demand higher wages, given limited opportunities to change jobs usually due to legal restrictions. Additionally, live-in care providers cannot capitalise on collective bargaining to demand better conditions, which is particularly relevant for live-in foreign-born care workers (OECD, 2023[10]).

Social economy entities often provide pathways to better working conditions for workers including access to benefits, regular hours and long-term contracts. Worker co-operatives, for example, allow workers to jointly demand higher wages and improved employment protection while promoting workers' rights (ILO, 2018[71]). In Italy, 84% of employees working in social co-operatives providing care had permanent job contracts between 2018-2019. In Portugal, 71% of employees in care co-operatives similarly had open-ended contracts (CECOP, 2022[23]; CECOP, 2021[72]). As profits are reinvested into the activities, social economy entities offer opportunities for training and skills development for their workers. Box 1.10 provides an example of a worker co-operative and social enterprise from Ireland re-investing proceeds into providing better working conditions for carers.

Box 1.10. Strengthening Care Workers' Employment Conditions: The Great Care Co-op (Ireland)

Quality of care services highly depends on the quality of jobs of care workers. Worker co-operatives offer solutions to couple accessible and quality care services with strengthened employment conditions for care workers who often struggle with low renumeration, limited job protection and unstable working hours.

The Great Care Co-op is a worker-owned co-operative and a not-for-profit social enterprise operating as a provider of care services. It provides various home care services including personal care (i.e. hygiene, mobility, medication reminders), respite care, Alzheimer's and dementia care, chronic illness and palliative care, as well as social support for medical and other appointments.

The co-operative was founded by migrant women who had been advocating for rights and better pay for migrant women working in the care sector in Ireland. The Great Care Co-op is established as a worker co-operative to address low wages, workplace exploitation and discrimination experienced in the home care sector. It provides its services with a vision to create a trusted home care community based on respecting the human rights and dignity of all involved in care while ensuring quality care provision and combatting labour market disadvantages of migrant women engaged in care work.

As a co-operative, the Great Care Co-op relies on its trading income to sustain its operations but does not seek profit maximisation. Instead, it uses its surplus to maintain its business, invest in growing services to members and deliver on its social purpose. The profits also go into providing training for care workers to develop their skills.

Source: (The Great Care Co-op, n.d.[73]).

Social economy entities can also play an important role in advocating for formal and fair employment opportunities for migrant workers. The FairCare initiative by the Association for International Youth Work *(Der Verein für internationale Jugendarbeit e.V. (VIJ))* in co-operation with Diakonie Württemberg, a non-profit organisation providing social care services, aims to promote better employment conditions in accordance with labour and social insurance regulations for caregiving staff from

Eastern Europe, working in home care for older people and dependent people in Germany. FairCare also helps households find qualified care givers while providing support and advice on legal matters around contract preparation and social security registration (VIJ FairCare, n.d.[74]).

Challenges facing the social economy in care

Working in the long-term care sector is inherently challenging due to demanding physical and emotional labour, low wages, high staff turnover, and limited career progression. Care workers often face stressful conditions, time pressure, and insufficient support, all while providing essential care to vulnerable people. Social economy entities play a vital role in this sector by prioritising social value over profit. However, they face their own challenges, including limited access to sustainable funding and difficulty competing with for-profit providers in schemes where minimum price principle is applied, despite often offering more stable and community-rooted care models.

The COVID-19 pandemic had a considerable impact not only on health care systems but also on the long-term care sector. The share of total COVID-19 deaths among long-term care residents was 34% in 25 countries by April 2022. Older people receiving long-term care services especially in semi-residential and residential settings (e.g. assisted living facilities, nursing homes) were at the highest risk (OECD, 2023[75]). The pandemic also exposed more clearly some structural challenges that constrain the efficiency and effectiveness of delivering care services. Some of these challenges are linked more broadly to the care sector while others are specific to social economy entities.

Challenges affecting long-term care

Lack of co-ordination and limited recognition of the care sector

The long-term care sector is often marked by a lack of co-ordination among health and social services. In most EU Member States, health care is provided by medical professionals while long-term care services are covered by the social sector. Their responsibilities are often split across level of government: national, regional and local (European Union, 2022[76]). Limitations in the integration and co-ordination of health and social services often lead to less recognition and public funding for the latter.

The care sector receives limited recognition during health crises, as evidenced by the COVID-19 pandemic. Numerous residential care facilities in many countries (e.g. Belgium, Germany, the United Kingdom, the United States), experienced significant shortages of masks and other protective equipment, particularly affecting high-risk groups such as older people. These disparities highlighted the care sector's limited visibility compared to the healthcare sector, where public investments primarily centre on hospitals. In contrast, many care facilities play a major role in complementing medical services offered by the healthcare system.

Difficulties in attracting and retaining care workers due to poor working conditions

Care is a labour-intensive sector. Care workers, including both those in the health and social care sectors, accounted for 3% of all employment in the EU in 2022. Their role is expected to rise in significance in the context of the ageing population in Europe. The next decades will witness a higher demand for skilled long-term care workers, as the number of older adults has been growing more than the long-term care workforce. Across the OECD, the number of long-term care workers will need to increase by 13.5 million or by 60% by 2040 to keep the current ratio of workers for every 100 people over the age of 65 (OECD, 2020[77]). At the same time, low pay, temporary contracts and health challenges emerge as important reasons to stop working in care. Indeed, 50% of personal care workers in Europe reported one of the highest levels of health and safety risks at work in 2021 (OECD/European Commission, 2024[9]; European Commission, 2023[78]). A 2024 survey across Europe found that 59.9% of domestic and care workers reported to have considered leaving the sector the past three years, two-thirds of which express low pay as the main reason (Jarrow Insights, 2024[79]).

Care work remains underpaid in the EU. Care workers including carers, nurses and assistant nurses are often paid below the national average wage. Across the OECD, personal care workers have hourly wages that are 12% lower than the average across occupations (OECD, 2023[10]). In EU Member States, social services workers, 69% of whom work in the long-term care, were paid 21% less than the average national hourly earnings in 2018 (Eurofound, 2020[80]). The wages are even lower among private sector providers compared to public providers due to cost-cutting efforts given low profitability. Domestic care work is often the lowest paid compared to other residential modalities and can easily fall outside of regulation (Eurofound, 2020[80]). The consistently lower wages in the face of rising demand for care workers can be attributed to the negative perception of care work as a low-skill job, which often does not impose educational requirements on its workers.

The long-term care sector faces particularly greater challenges regarding working hours. Across the EU, 42% of long-term care workers work part-time, which is higher than the average part-time rate of 19% among the entire workforce (Eurofound, 2020[80]). Part-time work in long-term care is often marked by atypical and irregular hours. This situation negatively impacts job quality for caregivers, subsequently affecting their physical and mental well-being. Carers report experiencing discrimination and verbal and physical abuse more often than other workers. As they perform emotionally demanding tasks, long-term care workers also run a high risk of mental health problems. Carers in the EU are also found to be less informed about physical risks, while they often move or lift people and handle infectious material, exposing them to health and safety challenges (Eurofound, 2020[80]).

Although the social economy strives to improve working conditions, it faces similar challenges in employment within its entities. Many social economy entities may struggle to compete with the public sector when it comes to offering higher wages for care workers. The low recognition of the sector, along with limited career advancement opportunities for care workers, has resulted in staff shortages. This issue is particularly acute in attracting and retaining qualified professionals, such as specialist nurses.

Demographic and technological shifts will also influence future demand for care workers (Cedefop, 2023[81])**.** For example, the digital transition is likely to change the skill sets required of care professionals. Additionally, improvements in socio-economic conditions tend to lead to a greater reliance on formal care services rather than informal caregivers, resulting in an increased need for formal care workers (European Centre for the Development of Vocational Training, 2023[82]). At the same time, investing in universal childcare and long-term care services are estimated to generate over 13 million jobs by 2030, of which 8 million would be direct jobs in long-term care (ILO, 2022[11]). This job creation potential could be particularly beneficial in rural areas in the context of an ageing population and more pronounced labour shortages.

Care is one of the most gender-segregated sectors

Care services are among the most gender-segregated with the highest share of female employees, reinforcing the stereotype that care is a "female job". This concentration of women in the care sector also reflects into higher employment levels of women in the social economy as many social economy entities specialise in social services including health and education (OECD, 2023[38]). More generally, women represent 87% of workers in long-term care (OECD, 2023[10]) and up to 90% of the care workforce in the EU Member States (European Commission, 2022[1]).

While women represent over 87% of long-term care employment, the gender pay gap still applies as they earn less than men in the same profession (OECD, 2023[10])**.** Increased care needs during and following the COVID-19 pandemic also deepened the already precarious work conditions for many care workers, particularly women. These conditions include long working hours as well as physical and mental health and safety risks as women workers may be subject to gender-based violence and harassment. The situation for unpaid care work remains largely the same, while the pandemic intensified the already unequal burden that women bear in caring for others. (ILO, 2024[83]).

Social economy entities tend to perform better in terms of addressing gender pay gaps and providing managerial and leadership opportunities for women (OECD, 2023[38]). Social economy entities tend to enhance wages and improve working conditions for their staff, particularly in the co-operative sector. However, some entities such as associations facing considerable funding challenges, may offer lower salaries compared to other providers (OECD, 2023[38]). Due to their substantial presence in the social care sector, the proportion of female employees in the social economy is often significantly greater than their overall representation in the workforce (OECD, 2024[84]). This phenomenon is largely attributed to the feminisation of care positions.

Limited regulatory oversight on home-based services

Employment in the care sector is physically and mentally demanding, often leading to high turnover rates and challenges in talent retention. The sector struggles with limited access to training and skill development, which directly affects the quality of services provided and, well-being of those receiving care.

The care workforce includes a higher-than-average number of individuals from migrant backgrounds. In OECD countries, 26% of long-term-care workers are foreign born, exceeding the 20% share of foreign-born individuals across all sectors (OECD, 2023[10]). Many of these workers are young and possess high skill levels. However, immigrants frequently find themselves in positions for which they are over-qualified due to limited available opportunities. In many European countries, migrants report being over-qualified more often in the long-term care sector than in other fields (OECD, 2020[77]). For instance, nurses from migrant backgrounds may take on personal caregiving roles instead of utilising their medical qualifications. Additionally, the emigration of skilled health professionals from countries with lower wages to those offering better working conditions may worsen staff shortages in the source countries (e.g. Bulgaria). This creates a challenging cycle that impacts the availability of qualified personnel in the countries of origin.

While undeclared work is less prevalent in long-term care services across EU Member States compared to other sectors, it remains a significant concern, particularly for live-in domestic caregivers. This sector is often staffed by migrant workers, notably in countries such as Croatia, Germany, Greece, Italy and Spain. Given that employers of domestic caregivers are typically private households, live-in care often operates without regulation and occupational protection (Eurofound, 2020[80]). Factors such as labour costs, bureaucratic challenges, and visa regulations contribute to the prevalence of undeclared work. A noticeable trend involves workers from Central and Eastern Europe relocating to Western Europe. It is worth mentioning that care workers in formal settings generally possess higher qualifications, while there is limited oversight of quality in home-based care services.

Due to the prevalent informality in domestic care, service provision frequently lacks regulation. There are no established regulatory systems to guarantee quality control or verify the qualifications of care workers in this sector. As these services remain largely unmonitored by public authorities, care workers may not receive essential benefits such as occupational protection and social security. This is especially crucial given that care jobs often involve higher-than-average physical and mental demands.

Challenges constraining social economy entities in delivering long-term care

Prioritisation of price over service quality in public procurement contracts

Providers of social care services use a mix of different funding modalities to sustain their operations. These mainly include 1) public procurement, 2) reserved contracts, 3) user-centred models (where beneficiaries may receive funding to purchase services on their own), and 4) private investments (EASPD, 2019[85]). While models around reserved contracts allow to value provision of social services provided by social economy entities and non-profit organisations, public procurement is often driven by a competitive bidding process. Since these processes mainly focus on minimum price as the main factor, social economy entities find themselves at a disadvantage compared to for-profit providers. The latter can more readily reduce costs, including those related to staffing, which can negatively impact the quality of services, given that care is a service heavily reliant on human interaction.

Social economy entities and for-profit providers operate under different motivations and approaches in service delivery, resulting in distinct cost structures. Social economy entities are often driven by a social mission to offer accessible, affordable, and high-quality services to their beneficiaries, which can lead to increased operational costs. Moreover, their emphasis on participatory governance and active stakeholder engagement, including communication with family members and informal care givers, adds further expenses that may go unnoticed by public authorities. Effective communication and the engagement of family members in care adds significantly to the quality of services, which is often not included in public tenders.

Adopting a socially responsible public procurement model can enhance the prioritisation of social and economic outcomes in contract awards. Incorporating social clauses in contracts can yield social dividends through procurement efforts (OECD, 2023[86]). Compared to for-profit entities, social economy entities provide a range of advantages that extend beyond care service delivery. These benefits include serving remote and vulnerable communities, fostering local roots for care services that enhance community cohesion, contributing to local development and employment, reinvesting surplus resources into social initiatives to improve service reach and quality, and leveraging social innovation to enhance the accessibility and quality of care services.

High dependence on short-term grant funding

Public funding, subsidies and grants offer short-term funding for social economy entities. This affects their operations and the financial sustainability of their long-term strategies for their care activities. Such short-term funding rarely allows any long-term investment to improve the delivery of care services or to incorporate the digital and green transition into the operations. Therefore, while public support is essential to support the activities of social economy entities working in long-term care, they are also constrained by design for long-term strategic improvements.

One-off funding modalities may also present challenges given the increasing fiscal pressures on long-term care spending. The high fragmentation of budgets (health care vs. social care) and responsibilities around long-term care (national vs. regional and local governments) is another barrier for developing sound and co-ordinated strategies around care (Spasova et al., 2018[87]). The availability of adequate resources has direct implications on the quality of care services, which then have major impacts on the well-being of beneficiaries.

Policy options

Whether provided by public or private providers, the quality and affordability of care services is critical to sustain the well-being for people with dependencies. Demand is expected to increase pressures on public expenditures for care provision, while persistent staff shortages create barriers for many people in need to access the services they need. Social economy entities are well-positioned as partners to help co-ordinate and deliver comprehensive, socially inclusive and person-centred care.

Improving framework conditions for the social economy can have direct positive impact on their objectives to achieve inclusive and quality care. The EU Council Recommendation on developing framework conditions for the social economy aims to strengthen the role of social economy entities across Europe by creating supportive legal, financial, and policy environments. Importantly, Member States have committed to adopt or update dedicated national strategies for the social economy, or to incorporate social economy priorities into other relevant strategies, ensuring a co-ordinated and coherent approach to unlocking its full potential for inclusive and sustainable growth. These strategies could include elements on the contribution of social economy entities to delivering care services.

Raising the profile of care work with the social economy

National authorities can better communicate on the role of the social economy within their strategies and plans for the care economy. Given their social mission, social economy entities deliver social inclusion and access to social services beyond their roles as providers. They often engage in partnerships with public authorities, private sector actors and civil society organisations to push for improvements in social service delivery in the public agenda**.** Public investments to increase the efficiency and inclusivity of care services provided in collaboration with social economy entities can be useful modalities of social service delivery while generating social dividends. Some examples of national strategies and plans highlighting the role of the social economy in care services are provided in Box 1.11.

Box 1.11. Underlining the role of the social economy in national care strategies and plans

Many EU Member States introduced plans or strategies around care economy or care services. Some programmes were also developed as part of the recovery and resilience plans following the COVID-19 pandemic. Social economy entities, social enterprises and third sector are already identified as important partners to deliver care services in some of these plans. The EU Council Recommendation also invites Member States to acknowledge the role of social economy entities in delivering accessible and high-quality care services.

- **Italy:** The European Commission, through its Recovery and Resilience Facility, supports Member States to promote reforms and investments in their national ***Recovery and Resilience Plans (RRP)***. Italy's RRP includes measures on "social infrastructure, families, communities and the third sector" which focus on social services, disability and social marginality. The Plan includes specific lines of action which are dedicated to older people to help increase autonomy and home-based care and prevent institutionalisation. The measures also focus around ensuring continuity of care services in a co-ordinated manner between health care and social care sectors. Speeding up the implementation of the reform of the third sector is identified as a necessary action to contribute to the measures around providing inclusive social services. EUR 500 million is earmarked to strengthen territorial and proximity social services for older people with dependencies.
- **Spain:** ***The Strategic Projects for Economic Recovery and Transformation (PERTE)*** are a public-private collaboration tool to support large-scale projects in Spain. Approved by the Council of Ministers in 2022, the PERTE includes 11 project areas, including one focused on the social and care economy with a budget of EUR 808 million. The PERTE of social and care economy aims to strengthen equality policies and facilitate businesses transition to social economy enterprises, particularly worker co-operatives, with the objective to improve the competitiveness of social economy small and medium enterprises (SMEs). It promotes a people-centred economic model and professionalises the health care and dependency sector, especially from the perspective of ageing. It also aims to promote digital skills in the care sector.

Source: (Government of Italy, 2021[88]; Spanish Ministry of Labour and Social Economy, 2022[89]; Spanish Ministry of Labour and Social Economy, 2023[90]).

Social economy entities can work with public authorities to develop complementary strategies for care, health care and social inclusion (OECD, 2023[58])**.** Social economy entities are often at the forefront of communicating to the public and policymakers on how to improve social service delivery, including care for older people (see Box 1.12 for an example from Romania). They do so by capitalising on their social mission and local roots to build trust and credibility, which place them as effective trusted partners to address social issues.

Box 1.12. SenioriNET and empowering NGOs to support older people (Romania)

SenioriNET is a federation of NGOs providing medical and social services in Romania. Its main activities focus on promoting the involvement of service provider NGOs for older people in Romania in local, regional, national, European and cross-border policies for the development of services for seniors. It also supports capacity building for service providers as well as raising citizens' awareness on the importance of developing services for seniors in the community as a means of inclusion and combating poverty.

The "SenioriNET Federation – stronger NGOs to support the elderly in Romania!" project aims to promote coalition and strengthen the voice of NGOs providing services for older people. It is implemented by Caritas Romania Confederation in partnership with Four Change Association, Community Support Foundation and Caritas Metropolitan Greek-Catholic Blaj Association, and is funded by EEA Grants by Iceland, Liechtenstein and Norway through the Active Citizens Fund Romania.

Conducted between 2021-2023, the project builds on the need to increase the capacity of representation for NGOs providing socio-medical services to older people. The ultimate goal is to catalyse systemic changes on the development of social policies for older people and their public funding structure. It aims to do so by increasing the capacity of social and socio-medical service providers to carry out advocacy and increase awareness among citizens local and national authorities and institutions, while strengthening representation of NGOs serving older people in European platforms.

Source: (SenioriNET, n.d.[91]).

Facilitating long-term partnerships with the social economy

Policymakers often use public grants and subsidies to support social economy entities delivering care services, which may not always allow for long-term planning and investments. Public authorities use different working modalities with the private for-profit and not-for-profit providers for care services such as reserving contracts (specifying which types of entities are eligible for contracting), accreditation (assessing and verifying the quality of services provided by an entity), licensing (granting legal permission to offer specific services based on compliance) or authorisation (approving an entity to deliver specific services or participate in public contracts) (European Social Network, 2021[18]).

The different modalities to contract care providers are often combined with various requirements including on the quality of services. Such working modalities could present a more sustainable and long-term oriented co-operation model compared to grant making. By introducing these requirements, they also promote a more focused approach to contracting providers based on the level of quality offered. Box 1.13 presents examples of the use of such mechanisms to work with not-for-profit providers.

Box 1.13. Favouring sustainable co-operation models with the social economy – Some examples

To find more sustainable ways to engage providers beyond grant-giving, some Member States resorted to alternative models to promote collaboration between social economy entities, non-profit providers and public authorities (including at the local level).

- **Hungary:** The provision of social care including care for older people is primarily the responsibility of local authorities, which can directly provide services or outsource it to external organisations. Since 2011, only those entities with non-profit status are eligible to take over care services such as residential care from the national and local authorities.
- **Norway:** The public procurement legislation was amended to allow public authorities not to implement the EU Procurement Directive when awarding health and social services contracts to non-profit organisations, so they can be granted contracts without going through a competitive bidding process against for-profit providers.
- **Spain:** Social accordances are commonly used in Spain to have non-profit organisations provide social services. In the Basque Country, for example, the public administrations give priority to non-profit entities when similar conditions around quality and costs exist. Collaboration agreements which are a modality of reserved contracts are used by public authorities to work with non-profit organisations. Renewed every one to two years, these provide stability and continuity for non-profit providers.

Source: (Eurofound, 2017[92]; EASPD, 2019[85]; OECD, 2022[93]).

As public procurement remains as one of the main modalities to work with social service providers, the quality of services should also be considered among the main criteria when awarding contracts. The emergence of socially responsible procurement practices is crucial to prioritise the inclusion of social clauses in public and private contracts. Social services provided by social economy entities are associated with higher levels of quality and satisfaction among beneficiaries (OECD, 2023[86]).

Prioritising the quality of services for long-term care over costs is necessary given the importance of human interaction in the sector. The quality of care services has direct implications on the accessibility and inclusivity of services as well as individuals' well-being and community cohesion. The Italian municipality of Castelfranco Veneto, for example, reserves contracts for home care services for persons living with disabilities to type A social co-operatives and their consortia for a 3-year duration. The quality of services is prioritised within the award criteria for these contracts with 60%, while price accounts for 40% (EASPD, 2019[85]).

Encouraging gender diversity among care workers

Countries increasingly push for the recruitment of more men in female-dominated jobs. The feminisation of care jobs and persistent staff shortages associated with a low valuation of care work is a significant challenge to meeting long-term care demands in the EU and beyond (OECD, 2023[38]). Governments work with social economy entities and civil society organisations to organise public campaigns breaking down stereotypes surrounding care work. Although not widely observed in care for older people, there are also examples of national legislation to encourage the recruitment of men in certain sectors such as childcare. Box 1.14 presents examples of such initiatives.

Box 1.14. Bringing more men into care work – Some examples

Some countries are carrying out public campaigns to bring more men into care professions to dispel stereotypes and fight against the feminisation of care jobs and responsibilities.

- **Norway:** In 1997, Norway started with the first national action plan to encourage more men to take jobs in childcare, followed by a legislation in 1998 to allow employers to favour male candidates over females in case of equal qualifications. At regional level, country administrations introduced action plans on recruiting more men in childcare while municipalities implemented projects to encourage and pay secondary school boys to work in childcare. These campaigns were successful in attracting more men into childcare, placing Norway among the pioneers in workforce diversity in the childcare sector.
- **United Kingdom:**
  - The Department of Health and Social Care leads ***Made with Care*** campaigns to expand social care workforce the country. They are domestic recruitment campaigns to advertise opportunities in building a career in adult social care. The campaigns also seek to attract more men and younger people who are currently under-represented in the workforce into essential care roles, while showing how rewarding a career in social care can be.
  - The ***Men Do Care*** campaign aimed to encouraged social workers, nurses and other health care professionals to share the benefits that men bring to these professions to break down stereotypes and attract more men professionals to care jobs. The initiative was a joint effort by the University of Central Lancashire and local partners Blackburn with Darwen Council, East Lancashire Hospitals NHS Trust, Lancashire and South Cumbria NHS Foundation Trust and Lancashire County Council.

Source: (NIKK, 2018[94]; Department of Health and Social Care, 2023[95]; University of Central Lancashire, 2024[96]); .

Setting standards and monitoring the quality of home care services collectively

Quality requirements and controls are increasingly introduced to monitor the quality of services in residential and semi-residential settings, but home-based services present a different picture. Regulatory oversight is the dominant model to improve service quality. Policy measures to monitor quality in long-term care services revolve around three broad groups: 1) setting minimum standards on labour and infrastructure and enforcing compliance, 2) developing standards to streamline care services and monitoring through quality indicators, and 3) using market-based incentives to stimulate quality improvement (OECD/European Union, 2013[97]).

While there are qualifications required to join the care workforce in residential settings, similar surveillance or control mechanisms do not apply to home care services (European Commission, 2019[98])**.** Many Member States have strong regulations on residential care, while only a few Member States have developed requirements for home care (such as Austria, Belgium, Czechia, Denmark) (Cès and Coster, 2019[99]). The existence of undeclared care workers especially in home-based care services presents additional challenges on monitoring the quality of services provided.

Given that social economy entities are very prominent in the provision of home-based services, they are also reliable partners for regulators to improve quality assurance of home care services. Social economy entities can support policymakers and regulators both by supporting voluntary quality control through standard-setting and accreditation as well as by providing person-centred services driven by a mission to deliver high quality. They can also help bring in the voice of care beneficiaries and their family members to have a say in the quality of services delivered. Their presence in home-based care can help increase the efforts to more effectively and collectively monitor quality of services provided at home. Box 1.15 presents some examples from quality assurance mechanisms for home-based services.

Box 1.15. Improving quality of home-based care services – Some examples

While many Member States already put in place regulations to monitor and improve the quality of care services provided in residential and semi-residential settings, challenges remain to monitor home-based services. Some countries already introduced measures to monitor the quality of care services provided at home.

- **Austria:** The beneficiaries of care subsidies have voluntary or obligatory home visits commissioned by the Ministry of Social Affairs, Health, Care and Consumer Protection. These visits are conducted by qualified nurses free of charge to assess the quality of care provided at home through direct contact with the care recipients. A competence centre for quality assurance in care at home was established within the Social Insurance Institution for the Self-Employed to organise and co-ordinate home visits. A toolkit is also developed for a practical application of quality assurance with a surveying tool and quality indicators to guide the assurance process.
- **Denmark:** The Danish Parliament passed a new elderly care reform in 2024 that focuses on letting beneficiaries determine how to receive care services while promoting holistic and home-based services. Subnational and local authorities are responsible for organising long-term care services as well as defining quality standards and monitoring. The reform also promotes close interaction with family members, local communities and civil society.
- **Flanders (Belgium):** A 2019 decree introduced new regulations that residential and home care services must comply with. The decree aims to improve the quality of elderly care services including home care services with focus on the beneficiaries' living preferences and care needs. It also highlights the role of local service centres to provide a bridge between local authorities, residents, associations and welfare and care organisations to provide more person-centred and co-ordinated care services. Different stakeholders were consulted during the drafting process including the Flemish Council for Older Persons.

Source: (Federal Ministry of Social Affairs, Health, Care and Consumer Protection, n.d.[100]; Tour de Health, 2024[101]; AGE Platform Europe, 2019[102]).

Main take-aways on the contribution of the social economy to care services

- **The social economy plays a crucial role in delivering accessible, high-quality, and person-centred care, as recognised in the EU Council Recommendation on developing framework conditions for the social economy.** Social economy entities offer unique solutions on long-term care to help people access care services in the setting they prefer, regardless of whether they are placed in rural or urban areas. The social economy's activities in health and social work allows it to propose integrated care services for a more person-centred and comprehensive care system. Social economy entities are also able to leverage social innovation to improve service delivery and respond to complex care needs. Social economy entities, especially many co-operatives, are working towards advancing the working conditions for care workers including their pay, contractual modalities, career progress and training opportunities.

- **However, long-term care continues to face structural challenges.** These include limited visibility of the sector, poor working conditions, gender imbalances, limited supervision especially for home-based services. Challenges are exacerbated for social economy entities as public contracts do not always prioritise service quality and as social economy entities depend highly on short-term grant funding.
- **Public policy can address these challenges by strengthening the framework conditions around the social economy, enabling it to capitalise on full capacity to deliver care.** It's therefore important that Member States take into consideration the role of the social economy in delivering accessible and high-quality care services through long-term and more sustainable partnership modalities with social economy entities. Policies can also promote and incentivise better gender equality in the care workforce. Finally, overseeing the quality of care services through pre-set standards, especially for home-based services, is an important step towards ensuring that everybody can access high-quality services independently of their setting.

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Note

[1] Mutuals (observed commonly in western European and Nordic countries) are enterprises controlled by their members that provide insurance, social security, and small-scale social services. Their main goal is to meet shared needs, not to make profits or pay returns on capital. Governed by solidarity, members actively participate in decision-making and are the focus of accountability (European Commission, n.d.[103]).

2 The social economy in housing

Housing is crucial for individual well-being, economic stability and growth as well as for social inclusion. It contributes to and influences societal, economic and environmental outcomes; yet, many people, especially vulnerable groups across the EU and OECD countries, struggle to access affordable, quality housing that meets their needs. Many cities and regions across Europe experience a housing affordability crisis.

Social economy entities offer solutions to help address this challenge. They deliver affordable and inclusive housing projects and contribute to advancing energy-efficiency and renewable and circular ways of building. They often provide additional support services, such as care, financial education and legal aid, and foster community development through participatory governance and shared spaces.

Public authorities can support the social economy in delivering on people's housing needs by improving legal and regulatory framework conditions, by providing access to affordable land and facilitating access to long-term tailored funding mechanisms. Better framework conditions can unlock their full potential.

Infographic 2.1. The role of the social economy in housing

Housing is a pressing issue across EU Member States

Access to affordable housing

Between 2010 and Q1 of 2025, **rents** in the EU have **increased by 27.8%** and **house prices by 57.9%**

Almost **1 in 10 urban dwellers** and **a third of those earning below 60% of median equivalised income** in the EU spend more than 40% of their income on housing

Lack of supply of quality housing

The **Netherlands** plans to construct **936 000 dwellings** and **Sweden 67 300 homes** by 2030. **Over 47.5 million homes** in the EU are vacant

In 2023, **15.6%** of Europeans lived in a poor-quality dwelling. In 2024, almost **1 in 10** Europeans could not keep their home adequately warm

Homelessness

Based on estimates, Czechia, France, Germany and Ireland have **more than 25 homeless people per 10 000 inhabitants**

Access to services

Services, such as care and retail establishments are **harder to access in regions with lower incomes** and **peripheral urban areas**

The social economy provides solutions through

- Better use of existing housing stock
- Inclusive and sustainable construction practices
- Energy efficiency improvements and the use of renewables
- Innovative financial models
- Inclusion of specific or vulnerable groups
- Provision of proximity services
- Community engagement and development

However, its contribution to housing issues is hampered by

- Legal and regulatory barriers
- Unaffordable land
- The need to balance affordability with sustainability
- Limited long-term finance options to scale

How can policy help?

- **Define the scope** of action for social economy housing entities and channel policy through an enabling legal framework
- **Enable access to affordable land** through using public land and zoning rules as well as offering land purchase loans
- **Facilitate access to finance** through revolving funds, a mix of public financing options and tax measures
- **Partner with the social economy** to provide affordable housing, target vulnerable groups and improve its visibility

Source: Based on Eurostat data, the OECD Affordable Housing Database, FEANTSA and Laudes Foundation (2025[1]) and Albert et al. (2024[2])

The social, economic and environmental dimensions of housing

Housing has impacts on well-being, the economy and the environment. While it makes up a significant portion of household spending, especially for lower-income households, it provides employment opportunities and contributes to health and well-being (OECD, 2023[3]). Innovative housing solutions are needed to balance affordability with other policy objectives such as improving housing quality, promoting economic growth and enhancing environmental sustainability.

Research shows that access to good-quality housing improves physical and mental health, facilitates educational and professional successes and has a social and cultural value that contributes to socialisation and well-being (Rofle et al., 2020[4]; OECD, 2023[5]). Affordable housing can also improve households' financial security by reducing their rent or mortgage payments, increasing savings and acting as a collateral for credit (McKnight, 2019[6]; OECD, 2023[5]). Homeownership, which generally has a more equal distribution than other assets, can contribute to wealth accumulation, especially among low- and middle-income households, thus reducing wealth inequalities (OECD, 2020[7]). The location of housing and the proximity of services, such as shops, schools, sports facilities, green spaces and public transport, among others, also play an important role in individual well-being and community development (Moreno et al., 2021[8]).

At the macroeconomic level, the housing market is a driver of economic output, employment, consumption, investment and financial stability. In the EU, in 2022, construction of buildings accounted for 1.7% of the value added and for 2.2% of employed persons in European businesses (Eurostat, 2024[9]). The contribution of housing to employment goes beyond construction activity to include real estate agencies and condominium management companies, among others. The availability of affordable decent housing also makes an area more attractive for workers and improves their ability to access employment (Klien, 2024[10]). Moreover, housing markets affect consumption, investment and financial stability, as shown by the Global Financial Crisis. Higher house prices increase the value of collateral and households' net worth, which may increase consumption. On the contrary, a drop in house prices reduces investment in construction and lowers the values of collateral, which amplifies the losses faced by lenders in case of a default, decreases household wealth and hampers the ability of individuals as well as small and new firms to borrow (Cavalleri, Cournède and Ziemann, 2019[11]).

Housing also has the potential to contribute to an inclusive green transition. Globally, the building sector is responsible for almost 40% of energy-related CO_2 emissions that come from activities such as heating water and the living space, air conditioning, lighting, electrical appliance use, the use of concrete and steel in construction, and demolition of housing (OECD, 2024[12]; OECD, 2023[5]). The location of housing also affects greenhouse gas emissions from transport used to commute to work and other activities (Subin, 2024[13]). Moreover, housing quality and location play a significant role in exposure to indoor and outdoor pollution and extreme weather events (OECD, 2023[5]). Housing that is structurally not adapted or located in an area prone to natural disasters such as flooding or wildfires, or heatwaves, that are exacerbated by climate change, is likely to have lower value than other options, thereby increasing wealth and spatial inequalities (Thompson et al., 2023[14]).

Housing challenges

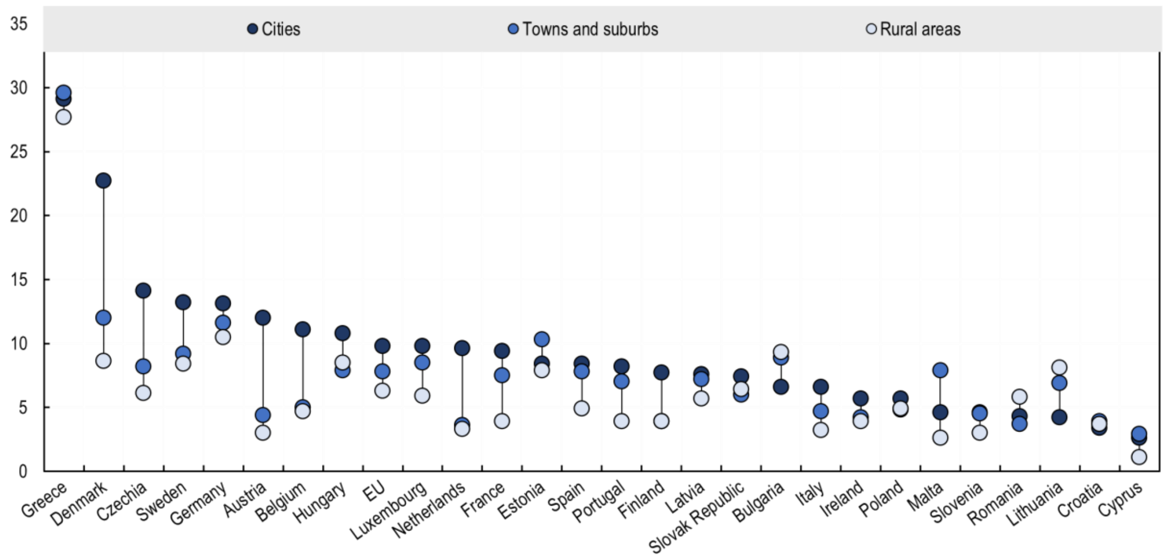
Europeans face four broad challenges when it comes to housing: i) housing affordability, ii) a lack of supply of quality housing, iii) homelessness and iv) availability, accessibility and quality of services related to and in proximity to housing. These issues disproportionately affect residents in urban areas and touristic regions and in particular vulnerable groups, such as low-income individuals, young people, children and ethnic minorities. The challenges are reflected in recent survey results. For example, in the 2025 Eurobarometer on urban challenges and investment in cities, almost half (40%) of all respondents and over half (51%) of responding urban dwellers identified a lack of affordable housing as an immediate and urgent problem. The lack of quality public services such as healthcare, childcare, education and care for older people, was identified as an issue by almost a third (32%) of all respondents and the same share of those living in cities, with poverty and homelessness seen as an immediate and urgent problem by almost a quarter (24%) of all surveyed individuals and by almost a third (32%) of urban residents (European Union, 2025[15]). In the 2024 edition of the OECD Risks that Matter Survey, more than half (55%) of respondents in 27 OECD countries were somewhat or very concerned about finding or maintaining adequate housing (OECD, 2025[16]). Accessing good-quality healthcare is the third most mentioned concern (71%), with access to good-quality childcare, education and long-term care being cited as a risk by more than 40% of respondents (OECD, 2025[16]).

Housing affordability

Between 2010 and the first quarter of 2025, rents in the EU have increased by 27.8% and house prices by 57.9% (Eurostat, 2025[17]). The share of the EU population who lives in a household where housing costs account for more than 40% of their income has decreased from 11.5% in 2012 to 8.2% in 2024 but remains high among certain groups (Eurostat, 2025[23]). As shown in Figure 2.1, EU households living in cities are more likely to experience housing cost overburden than those residing in towns and suburbs and rural areas. Moreover, almost a third (31.1%) of EU population earning below 60% of median equivalised income experience housing cost overburden compared to only 3.8% of the population above the threshold (Figure 2.2). Young people find it increasingly difficult to buy a house and are sometimes left with little choice but to live with their parents, which might contribute to their social exclusion and hinder their independence (Eurofound, 2024[18]; Cournède and Plouin, 2022[19]). In fact, 59% of respondents to the 2024 OECD Risks that Matter Survey aged 18-24 were somewhat or very concerned about their ability to find or maintain adequate housing in the next year or two (OECD, 2025[20]). In the 2025 Eurobarometer on urban challenges and investment in cities, 54% of respondents living in cities aged 25 to 39 reported lack of affordable housing as an immediate and urgent problem (European Union, 2025[15]). Single households are particularly overburdened by housing costs as they cannot benefit from economies of scale created by sharing housing (Frayne et al., 2022[21]).

Figure 2.1. Housing affordability is particularly a challenge in cities

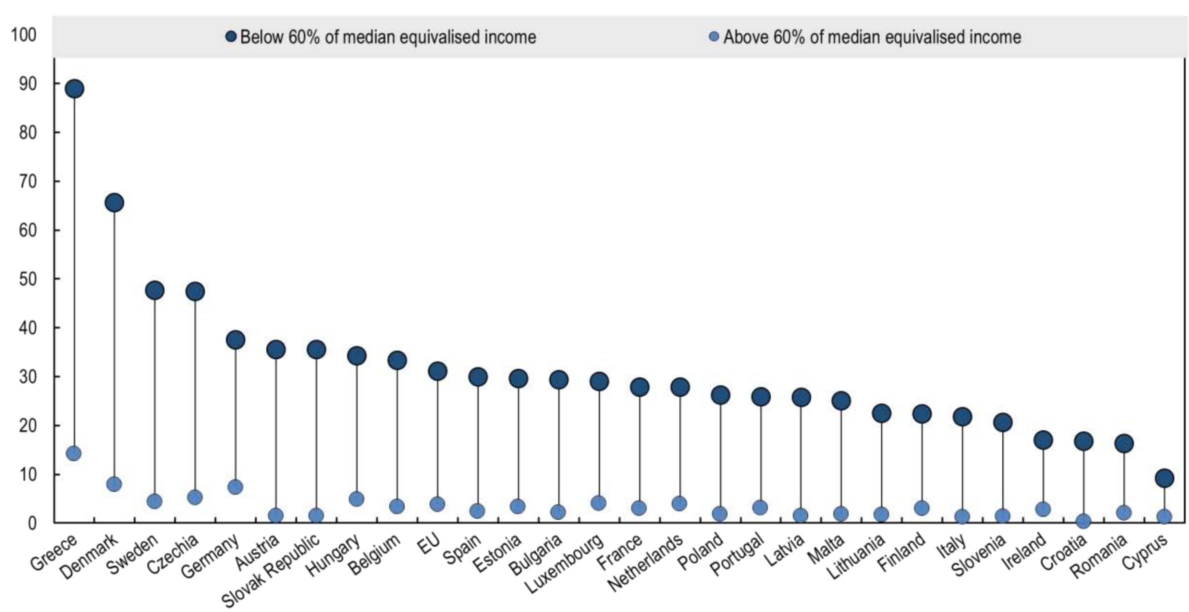
Housing cost overburden rate (percent) by degree of urbanisation, 2024



Note: The housing cost overburden rate refers to the share of population living in households, where total housing costs (utilities, mortgage interest payments net of tax relief, rent payments, structural insurance, mandatory services and charges, regular maintenance and repairs, and taxes) account for more than 40% of disposable income net of housing allowances.
Source: Eurostat (2025[22]); Eurostat (2024[23])

Figure 2.2. Housing affordability is particularly a challenge for poor households

Housing cost overburden rate (percent) by poverty status, 2024



Source: Eurostat (2025[24])

Lack of supply of quality housing

The supply of social and affordable long-term housing is currently not matching the evolving demand. This can be explained by several factors. The demand patterns are changing due to population trends, such as ageing, increase in the number of single and single-parent households, urbanisation and migration, which all increase the number of households in a given area (Lee, Kemp and Reina, 2022[25]; Frayne et al., 2022[21]). More housing is needed to meet this demand. Based on estimates, housing shortages are significant in many EU countries. For example, the Netherlands plans to construct 936 000 dwellings by 2030, Germany faces an estimated shortage of 800 000 apartments, and Sweden needs to construct 67 300 new homes by 2030 to respond to growing demand (Pieper, 2024[26]; Albert et al., 2024[2]). In recent years, housing supply has been slow to adjust to strong demand pressures due to the sudden decrease in the issuance of building permits during the Covid-19 pandemic lockdowns, increasing prices of raw materials for construction and a rise in deleveraging that slowed down investments in real estate (Frayne et al., 2022[21]). In some areas, vacant or holiday housing as well as growth in short-term rentals decrease the availability of long-term housing. In the EU, over 47.5 million homes are vacant (FEANTSA and Laudes Foundation, 2025[1]). Recent estimates show that vacant dwellings and seasonal/holiday homes represented 31% of the total dwelling stock in Portugal (2021), 27% in Spain (2021), 24% in Estonia (2021), 19% in Slovenia (2021) and 18% in France (2022) (OECD, 2024[27]).

A significant share of EU population lives in poor-quality housing. In 2023, an estimated 15.6% of EU population lived in a dwelling with either a leaking roof, damp walls, floors or foundation or rot in window frames or floor, with the share reaching 29% in Portugal and 23% in Spain (Eurostat, 2025[28]). In 2024, 16.9% of the EU population lived in an overcrowded household with over a quarter (28.9%) of those earning below 60% of equivalised income living in these conditions (Eurostat, 2025[29]). In the same year, almost one in ten (9.2%) Europeans could not keep their home adequately warm with households in Bulgaria (19.0%), Greece (19.0%) and Lithuania (18.0%) being particularly affected (Eurostat, 2025[30]). More than 4 out of 5 (85%) of the EU's buildings were constructed before 2000, three-quarters of which have a poor energy performance (European Commission, n.d.[31]). Poor-quality housing negatively influences children's school performance, facilitates the spread of infectious diseases, amplifies the risk of depression, raises the cost of housing and increases energy consumption (Goux and Maurin, 2005[32]; Fondation Abbé Pierre and FEANTSA, 2024[33]).

Homelessness

Homelessness is a pressing issue in EU Member States. Estimates show that some Member States, such as Czechia, France, Germany and Ireland, have more than 25 homeless people per 10 000 inhabitants with figures rising in Ireland, Slovenia, Latvia, Austria and the Netherlands (OECD, 2024[34]). The root causes of homelessness are context specific. However, they typically include a combination of (i) structural factors, such as rising housing costs, labour market conditions and poverty, (ii) institutional and systemic failures that usually involve individuals becoming homeless after leaving an institutional setting such as foster care, the criminal justice system or hospitals, and (iii) individual circumstances such as eviction, loss of employment, health issues and domestic violence (OECD, 2024[35]). Homelessness carries many risks, such as health complications due to rough living conditions, as well as social isolation (Fondation Abbé Pierre and FEANTSA, 2024[33]). Depending on the country, between 60 and 93% of homeless people experience mental health issues over their lifetime, a much higher rate than among the general population. For example, in Germany, homeless people experience mental health problems almost 4 times more often than the general population (FEANTSA, 2023[36]).

Availability, accessibility and quality of services

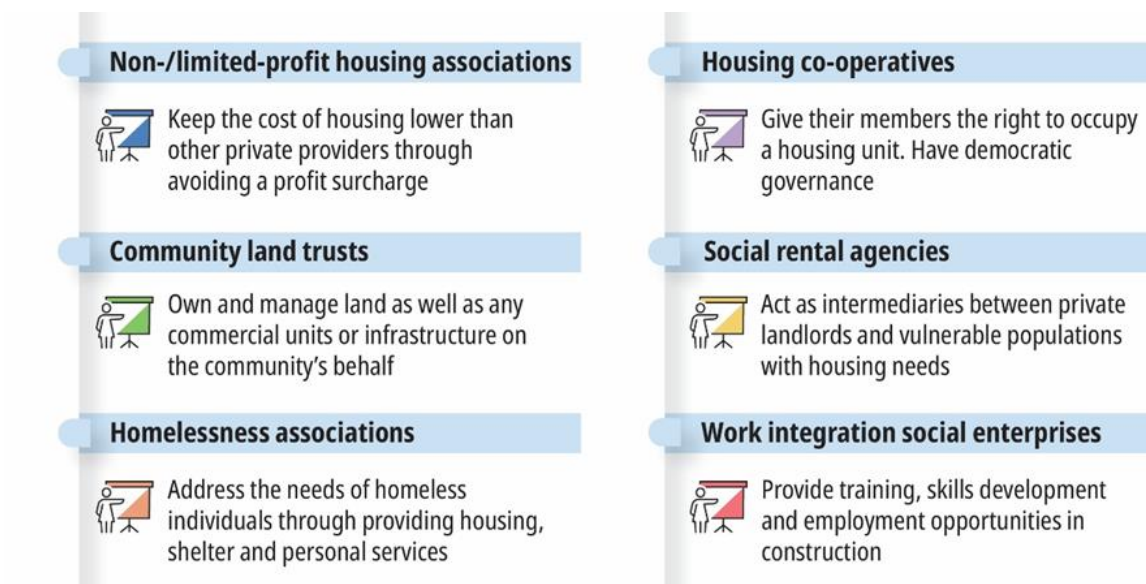
The lack of services in proximity to where people live can significantly hamper residents' quality of life. These services include, but are not limited to, different types of care (such as childcare, healthcare and elderly care), shops, physical and social infrastructure (such as public transport and parks), educational establishments and financial institutions (such as banks). Recent research shows that there are regional disparities in accessibility of services. For instance, services are harder to access in regions with lower incomes and in areas where there are fewer potential users of the service (Almeida et al., 2024[37]). A large variation in local availability of services can also be observed within cities with central neighbourhoods being generally better connected to services than peripheral areas (Bruno et al., 2024[38]).

How the social economy addresses housing issues

Social economy entities are active in housing in many ways

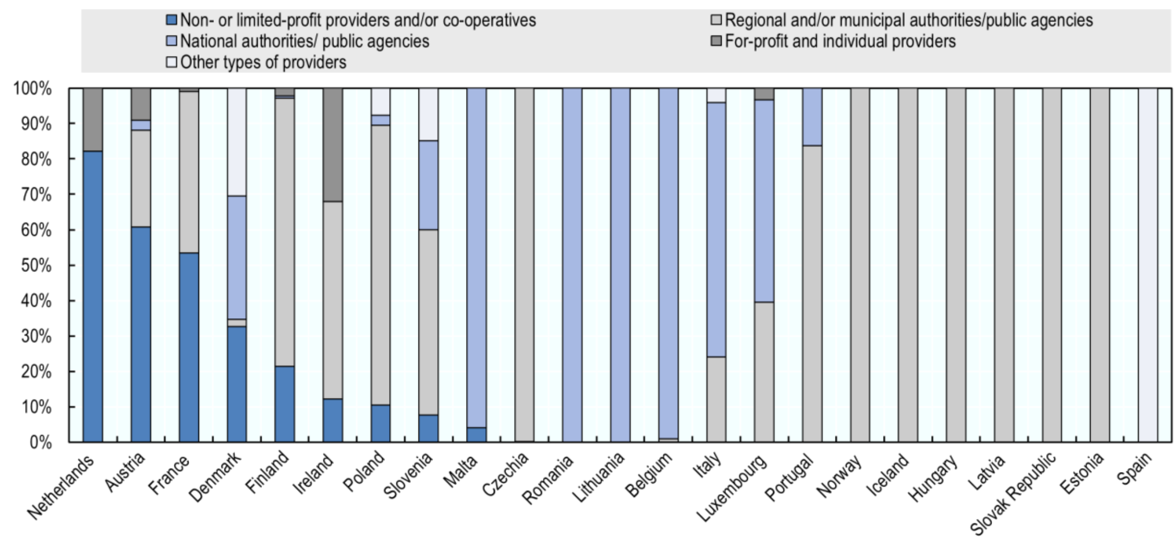
The social economy is active in many aspects of housing, including supply of quality housing, affordability, service provision and community development. Infographic 2.2. provides some examples of social economy entities' involvement in the housing sector.

Infographic 2.2. Examples of ways social economy entities are active in housing



Some social economy entities are active in social and affordable housing provision, while others might fall outside of this scope. While social housing definitions vary across countries, social housing can be broadly defined as "residential rental accommodation provided at sub-market prices that is targeted and allocated according to specific rules such as identified need or waiting lists" (OECD, 2020[39]). Social economy entities, or non-profit, limited-profit and co-operative organisations, are significant providers of social housing in the Netherlands (82% of the social rental housing stock), Austria (61%), France (53%) and Denmark (33%) (Figure 2.3). However, not all housing provided by social economy entities is social rental housing. For instance, limited-profit housing associations in Austria and Dutch housing associations provide some homeownership solutions and housing co-operatives can attract wealthier groups that may not meet social housing criteria in some definitions of social housing. Although the goal of most social economy entities is to provide affordable housing, which is defined as "rental and owner-occupied dwellings that are made affordable to households through a broad range of supply- and demand-side supports" (OECD, 2020[39]), not all social economy housing might be affordable for low income earners.

Figure 2.3. Provision of social rental housing by social economy entities in some EU Member States



Note: Data for Germany is not available, but in most states (Länder), the majority of social dwellings is provided by municipalities or other public institutions as well as housing co-operatives; in some states, private providers are responsible for a significant share of the social housing stock.
Source: OECD Affordable Housing Database (OECD, 2024[40])

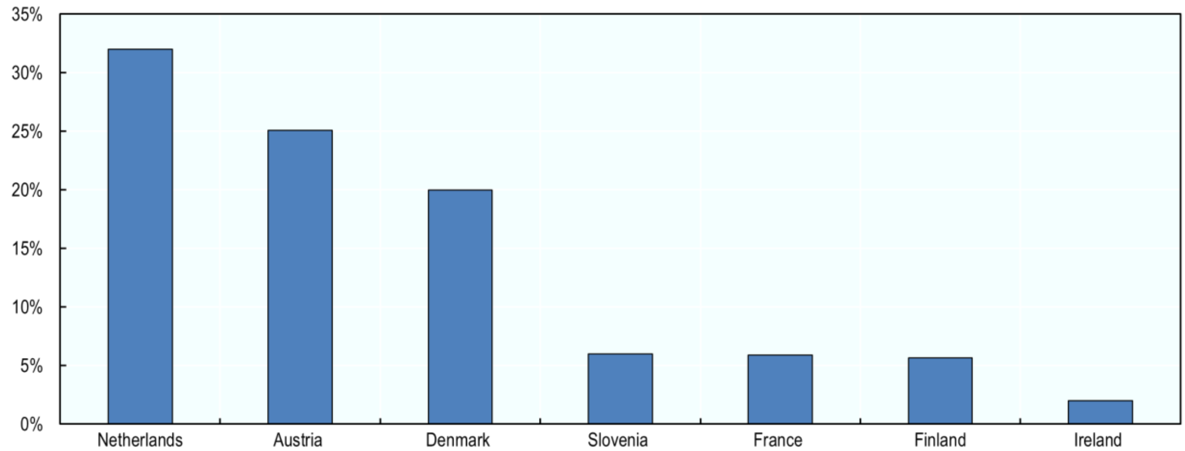
Supply of quality housing

Social economy entities provide a large share of the housing stock in some EU Member States

In some EU Member States, social economy entities make up a large share of the housing stock and construct new housing units to help meet demand. As shown in Figure 2.4, non- or limited-profit organisations represent almost a third (32%) of the housing stock in the Netherlands, a quarter of homes in Austria and a fifth in Denmark. These entities also seek to increase the housing supply. For instance, housing associations in the Netherlands aim to build 250 000 new social housing units and 50 000 new rental homes by 2030 for those who are left out of the housing market but earn a high enough income to not qualify for social housing (Housing Europe, 2023[41]). Limited-profit housing associations in Austria built 16 800 new constructions in 2021 (GBV, n.d.[42]). The members of the Danish Federation of Not-for-profit Housing Associations have completed 4 629 units in 2021, or 13% of the total completed units in the country in that given year. In France, housing social enterprises annually construct half of all new social rental dwellings (Les entreprises sociales pour l'habitat, n.d.[43]). Figure 2.5 shows that housing co-operatives provide almost a quarter (24%) of the housing stock in Sweden, 16% in Poland, 14% in Norway, 12% in Czechia and Austria, 7% in Denmark and 5% in Germany.

Figure 2.4. Share of housing stock provided by non-profit or limited-profit organisations

Data from the latest available year

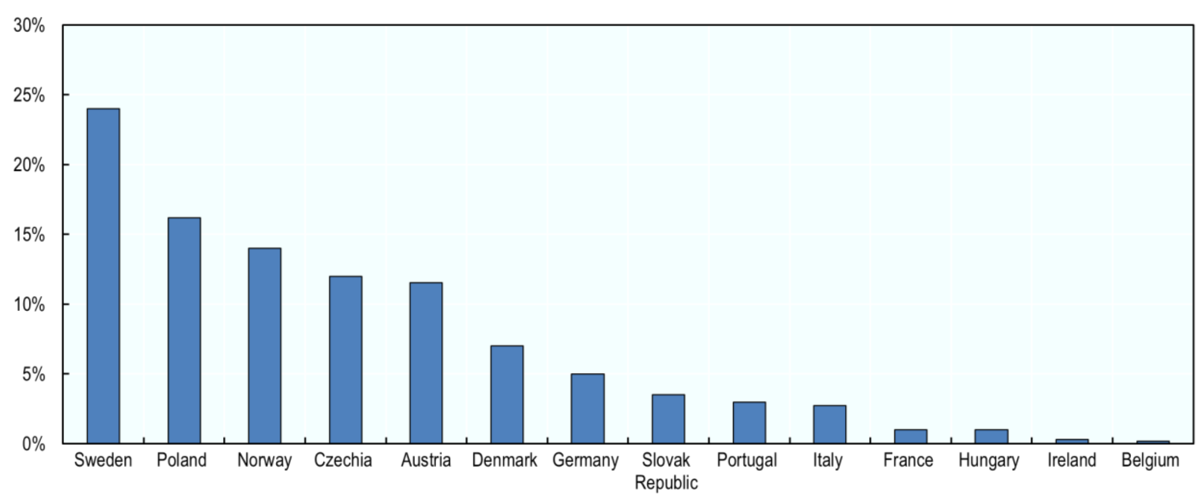


Note: Data is from 2022 for the Netherlands, from 2021 for Denmark and Ireland, from 2020 for Austria, Finland and France, and from 2019 for Slovenia. The figure for the Netherlands is based on the data provided by Aedes (the national network of social housing associations), for Austria on the number of homes managed by the members of the Austrian Federation of Limited-Profit Housing Associations, for Denmark on the number of occupied homes managed by not-for-profit housing associations, for Slovenia on occupied not-for profit rental housing, for France on the total housing stock data provided by Housing Europe and data from the French Union for Housing Social Enterprises, for Finland on rental apartments managed by the members of the KOVA association (association for non-profit rental housing companies and foundations) and for Ireland on the housing managed by Approved Housing Bodies (AHB).

Source: Housing Europe (2023[41]), Housing Europe (2021[44]), Aedes (n.d.[45]), Les entreprises sociales pour l'habitat (n.d.[43])

Figure 2.5. Share of housing stock provided by co-operatives

Data from the latest available year



Note: Data is from 2023 for Norway, from 2022 for Sweden, from 2021 for Czechia and Denmark, from 2020 for Austria, from 2019 for Portugal and Ireland, from 2018 for Germany, from 2017 for Italy, from 2013 for Poland and from 2011 for the Slovak Republic and Hungary. Data refers to the share of housing units managed by co-operatives. The figure for Czechia is estimated using the number of dwellings managed by organisations in the Union of Czech and Moravian Housing Co-operatives, which can be both privately owned and under co-operative ownership.
Source: Housing Europe (2023[41]), Housing Europe (2021[44]), Housing Europe (2017[46]), OECD calculations based on Cooperative Housing International (2024[47]), Cooperative Housing International (2020[48]) and GBV (n.d.[42]).

In Eastern Europe, co-operative housing has started to re-emerge in the form of innovative pilot projects. Co-operative housing was imposed and heavily supported by socialist governments to promote a "socialist way of life" and experienced a decline as a result of privatisation during the market transition (Coudroy de Lille, 2015[49]; Kulenovic and Maslauskaite, 2019[50]). Nowadays, while housing co-operatives are often viewed as relics of the socialist past, associated with prefabricated low-quality housing blocks on urban peripheries, innovative co-operative housing models have emerged such as the *Nowe Żerniki* project in Poland (Box 2.1) or the pilot projects in Croatia, Czechia, Hungary, Serbia, and Slovenia, supported by the MOBA European Co-operative Society (MOBA Housing, n.d.[51]).

Box 2.1. *Nowe Żerniki* (New *Żerniki*) project in Poland

Nowe Żerniki was initiated in 2011 in Wrocław, Poland, as a collaborative effort between the local government, the Wrocław division of the National Chamber of Polish Architects and over 20 architectural firms. It is a mixed-use, socially and functionally diverse district designed to promote social cohesion. It combines self-build housing co-operatives, developer apartments, social rental housing and living facilities for older people, along with schools, nurseries, cultural venues and commercial spaces. The initiative draws inspiration from the 1929 WuWa exhibition of modern housing.

Innovative mechanisms

Perpetual land lease: Land was offered to co-operatives at 80% below market price in auctions limited to non-commercial entities. This significantly reduces initial investment costs for participants.

Community planning: Residents co-designed housing projects, promoting shared spaces like stroller rooms, bike garages and event rooms. This fosters collaboration and social ties among residents.

Integration with the local economy: Commercial spaces, such as cafés or dentist offices, were designed to be run by co-operative members, creating income streams for maintenance.

Impact

Two small co-operatives for four families and one for ten families have been built. Co-operative housing costs are lower than market-rate apartments in Wrocław due to reduced land acquisition costs and the absence of developer profit margins. The project integrates sustainable urban planning practices, emphasising walkability, local services and mixed-use spaces.

Source: Habitat for Humanity Poland (n.d.[52]), Heciak and Twardoch (2021[53]), Lis, Rataj and Suszyńska (2022[54])

Mutual societies[1] play a role in providing affordable housing in France. For example Arcade-VYV, a collaboration established in 2019 between the mutual Groupe VYV and the housing specialist Arcade, houses over 400 000 people and builds 5 000 new homes annually (Groupe Arcade-VYV, 2023[55]). Meanwhile, *Mutualité Française Grand Sud* has developed two housing projects for students and one residence for older people (Mutualité Française Grand Sud, n.d.[56]).

Better use of existing housing stock

Social rental agencies (SRAs) are non-profit housing organisations that act as intermediaries between private landlords and vulnerable populations with housing needs. They lease housing units to sublet them to low-income individuals. SRAs negotiate lower rents with private landlords, providing long-term rent payments guarantee (9 years in Belgium) and dwelling maintenance. SRAs select tenants and take charge of administrative and property management procedures. SRAs can also link vulnerable individuals to supporting organisations such as addiction services and administrative bodies (FEANTSA, 2012[57]). The SRA model emerged in Belgium in the 1980s (Box 2.2), then spread to France and Germany, and more recently has been introduced in Czechia, Hungary, Poland, and the Slovak Republic (Kulenovic and Maslauskaite, 2019[50]).

Box 2.2. Social rental agencies (SRAs) in Wallonia (Belgium)

Social rental agencies (SRAs) act as intermediaries between private property owners and low-income tenants.

Innovative mechanisms

Incentives for private owners: SRAs select the tenants, manage all administrative tasks such as insurance and guarantee monthly rent payments. Owners enjoy tax benefits such as a full exemption from property tax (or a reduced 0.8% rate for legal entities instead of 1.25%) and an annual tax reduction equal to 5% of the expenditure on renovation if the property has been managed by the SRA for at least 9 years. Additionally, the *Fonds du Logement de Wallonie* offers 0% interest loans and non-repayable grants for renovating properties rented through the SRA model subject to the property being entrusted to an SRA for a minimum period of 9 or 15 years.

Priority housing allocation: SRAs offer quality housing to households in precarious situations or with modest to middle incomes. Eligibility is based on annual net taxable income, with thresholds ranging from EUR 17 000 to EUR 52 800 for individuals and EUR 23 200 to EUR 63 900 for households, plus EUR 3 200 per dependent child. In 2020, most SRA tenants (79%) relied solely on income from social welfare.

Support services: Tenants receive guidance from a social mediator to help them maintain their housing by offering personalised guidance on management and financial planning. In case of personal difficulties related to health or family issues, the tenants are referred to social services for additional assistance. SRAs also provide technical support for housing maintenance and repairs, ensuring safe and decent living conditions.

Impact

SRAs in Wallonia process over 20 000 housing applications annually, which exceeds the available SRA housing offer. In 2023, 33 SRAs operated in 253 out of 262 municipalities, managing around 9 000 properties. Between 2017 and 2020, the average rent for SRA housing was around half of the private market rate. SRAs have committed to attain A-level energy performance of their buildings by 2050.

Source: UWAIS (2024[58]), UWAIS (2024[59]), UWAIS (2024[60]), Piedboeuf (2023[61]), De Mesmaeker (2023[62])

Social economy entities sometimes play an active role in renovating and maintaining vacant buildings, increasing the availability of housing units. For instance, Community Land Trust Brussels has renovated former industrial or vacant premises to provide affordable housing (FEANTSA and Laudes Foundation, 2025[1]). In Italy, national law 80/2014 introduced a mechanism that allows public housing providers to enter into agreement with non-profit organisations to temporarily rent out and maintain public housing assets that require renovation. Such a partnership showed some success before the introduction of the law. ALER Milan, a public housing provider, launched a regeneration programme in 1999 targeting the abandoned Stadera public housing estate. As part of the programme's *Quattro Corti* initiative, two co-operatives (Dar = casa and *La Famiglia*, later renamed *Solidarnosc*) can use public buildings for 25 years in exchange for the refurbishment and management of the premises using their own financial resources. The co-operatives refurbished 97 dwellings and inserted three elevators per building. The renovation significantly affected the costs and quality of living in *Quattro Corti*. For instance, the new heating system has decreased condominium fees, which often are one of the largest expenses for public housing residents since they do not depend on tenants' incomes. The improvements will be maintained even when the buildings will return to the management of the public housing provider (Peverini, Bricocoli and Tagliaferri, 2023[63]).

The role of the social economy in inclusive employment and sustainable construction

Some social economy entities contribute to employment of vulnerable individuals in construction. In the ENSIE (European Network of Social Integration Enterprises) database of work integration social enterprises (WISEs), around a fifth (18%) carry out some activities related to buildings and public works (ENSIE, n.d.[64]). Although the activity of some of these WISEs expands beyond the construction of residential housing, some provide training, skills development and employment opportunities applicable to home construction. For instance, *SBC Insertion* is a WISE (*une Entreprise de Travail Temporaire d'Insertion*) active in Paris and its surroundings with a focus on construction, public works, cleaning, demolition, civil engineering and waste sorting. It supports individuals with low qualifications who face difficulties with social and professional integration through providing training and practical experience (SBC Insertion, n.d.[65]). The *Kaja Kaona* association in Mayotte (France) is a WISE that encourages sustainable grassroots construction (Box 2.3).

Box 2.3. *Kaja Kaona* association in Mayotte (France)

The *Kaja Kaona* association was established in Tsoundzou 1 (Mayotte, France) in 2017 at the initiative of local youth to facilitate work and social integration of 15–30 year-olds who are not in employment, education or training (NEET).

Innovative mechanisms

<u>Support for youth work integration:</u> The *Kaja Kaona* association organises different activities that encourage manual teamwork alongside offering individual support for its beneficiaries and workshops on basic knowledge, their legal rights and prevention.

<u>Affordable housing offer:</u> The *Kaja Kaona* association is a social rental agency (*opérateur de l'intermédiation locative*), which helps its beneficiaries access affordable housing options.

<u>Sustainable construction practices:</u> Since August 2022, the *Kaja Kaona* association has offered two work integration workshops focusing on sustainable construction and land use. The first workshop focuses on traditional building techniques using eco-friendly materials and the second on gardening and seedling production with an emphasis on permaculture. The beneficiaries can practice their skills by being involved in building and providing food for a restaurant in a local centre that will focus on training and accompanying young people to facilitate their long-term work integration.

Impact

The *Kaja Kaona* association has created 30 jobs in Tsoundzou 1, targets more than 300 beneficiaries and employs 16 employees in work integration per year.

Source Kaja Kaona (2025[66])

Social economy self-build projects seek to improve the skills of involved individuals while making constructed homes more affordable and community-centred. For instance, the *Baugruppe* (building group) system in Germany involves individuals coming together to design and construct their future homes, which allows them to tailor residential spaces to their needs and develop social ties. The building costs are also reduced because no real estate developer is involved (Florian, 2024[67]). The *Nowe Żerniki* project in Poland includes three self-build housing co-operatives inspired by the *Baugruppe* system (Habitat for Humanity Poland, n.d.[52]).

Additionally, some social economy entities are at the forefront of sustainable construction and demolition through using sustainable materials and adopting circular practices. For example, the Circle House project in Aarhus, Denmark, run by a housing association, is the world's first social housing complex with the goal of being built according to circular principles (Box 2.4). The *BauKarussell* co-operative in Austria, in collaboration with other social economy entities, practices circular construction through safely demolishing buildings and reusing or recycling the materials for new construction (Box 2.5). *La Borda* housing co-operative in Barcelona (Spain) is made from pine wood and includes traditional open-air corridors that enhance energy efficiency. The sustainable practices adopted by the co-operative result in a lower-than-average energy consumption (66.37 kwh/m^2 vs 87.49 kwh/m^2 annually) (World Habitat Awards, 2019[68]). The *Brf Viva* co-operative in Gothenburg, Sweden uses an innovative type of concrete with a 30% lower carbon footprint than traditional alternatives (Housing Europe, 2023[41]).

Box 2.4. The Circle House project in Lisbjerg (Denmark)

The Circle House project is the world's first social housing complex with the goal of being built according to circular principles. It was initiated in 2017 in the Lisbjerg village, north of Aarhus, Denmark's second largest city. It has received DKK 9.9 million (Danish kroner) (around EUR 1.3 million) in public and philanthropic investment. The project was expected to be completed by mid-2023. However, due to the withdrawal of the contracted construction company, a two-year break had to be taken until a new one was found. A pilot unit was built in 2020 to present the project to the general public.

Innovative mechanisms

A pilot of circular construction: The Circle House project uses innovative circular construction materials such as recycled plastic tiles from household waste and expanded cork boards for the façade. Circle House is expected to serve as a scalable demonstration project on circular construction.

Cross-industry collaboration: The project involves a wide range of public, private and social economy organisations. It is being managed by the Lejerbo housing association and was designed by four private architectural companies. The design phase also involved some building companies for engineering and demolition aspects and consulted the City of Aarhus. In total, the project involves more than 30 companies in the Danish construction sector.

Impact

The project consists of 60 social housing units managed by the Lejerbo housing association. The residential complex comprises a mixture of two and three storey terrace houses and five storey tower blocks. There is a total 100m^2 of shared facilities and a communal garden. The objective of the project is to construct the complex with 90% reusable building materials, which reduce CO_2 emissions. For instance, precast concrete structures cut emissions by 45%.

Source: GXN Innovation (2018[69]), Dueholm (2024[70])

Box 2.5. *BauKarussell* co-operative in Austria

BauKarussell co-operative is the first Austrian provider of dismantling services with the aim to recover materials for reuse or recycling. *BauKarussell* supports companies through the tendering process and coordinates actions such as dismantling, upcycling and recycling used materials with social economy partners who employ and offer training for disadvantaged individuals.

Innovative mechanisms

Social urban mining approach: Social economy partners carefully remove pollutants and impurities, enabling safe demolition and the recovery of high-quality reusable and recyclable materials. This process allows to sort materials by type, increasing energy efficiency and the value of the recovered resources. Social economy entities also contribute to work integration by employing and offering training for vulnerable individuals.

Open book model: Customers receive revenues from the sale of reusable or recyclable materials. To ensure full transparency, all impact indicator results, such as revenues, material volumes and working hours are openly shared.

Impact

Since 2017, the co-operative has participated in 11 renovation projects. As of January 2025, 786 tons of building materials, elements and furniture have been reused, 586 tons have been processed by regional waste disposal companies, and 454 tons have been directed to material recycling. In addition, *BauKarussell* has created 37 000 hours of employment and qualification opportunities in social economy organisations.

Source: (BauKarussell, n.d.[71]), (BauKarussell, n.d.[72])

Quality and sustainability of housing provided by social economy entities

In some countries, social economy entities seek to maintain a high-quality living environment. Housing associations in the Netherlands are legally required to provide liveable, safe and decent-quality housing. Many housing associations go beyond this requirement as rent is set based on housing quality and investments in structural quality reduce future maintenance costs (van Deursen, 2023[73]). More broadly, research shows that housing co-operatives, such as grant-of-use co-operatives in the Region of Catalonia (Spain), tend to create a greater sense of community, decrease loneliness, increase access to services such as care and facilitate physical, emotional and financial security (Carrere et al., 2020[74]; Reyes et al., 2022[75]).

They also seek to reduce their carbon footprint by improving energy efficiency and using renewable energy sources. For instance, in Austria, LPHAs are engaging in building retrofitting, installation of solar panels, as well as trainings and information campaigns on efficient energy use. Only 4% of properties owned by LPHAs constructed before 1980 have not undergone retrofitting or thermal insulation compared to around 40% in the general housing stock. Some housing co-operatives in Czechia offer trainings on energy efficiency, provide information on how to access state subsidies and engage in the retrofit of buildings (Housing Europe, 2023[41]). The social housing stock in the Netherlands, 82% of which is provided by non-profit housing associations, performs better on energy efficiency than the overall housing sector: three quarters of the social dwellings have a rating of C or above, while this share is 69% for owner-occupied and 65% for private rental segments (OECD, 2024[40]; Housing Europe, 2023[41]). Moreover, almost a fifth (16%) of social housing units run by housing associations have installed solar panels. The *Brf Viva* co-operative in Gothenburg, Sweden has introduced a bike and car sharing scheme and started using old batteries from buses to store solar energy (Housing Europe, 2023[41]).

Access to affordable housing

Some social economy entities active in housing have an innovative financial model

Social economy entities typically adopt a cost-based rent setting approach, which usually results in lower cost of housing than among other private providers. This approach is adopted by housing associations in Austria (Box 2.6), Denmark and Finland, as well as some co-operatives and involves setting rents at levels to cover the costs of providing housing, such as the repayment of loans, building maintenance and insurance (Pittini, Turnbull and Yordanova, 2021[76]). In Austria, limited-profit housing associations (LPHAs) charge rents that are 20% lower than among other private providers (Klien and Streicher, 2021[77]). In Helsinki, Finland, rents charged by private providers are 62% higher than cost-based social rents (Pittini, Turnbull and Yordanova, 2021[76]). In France, Mas Coop in Beaumont-sur-Lèze adopts a cost-based rent-setting approach and charges EUR 11.77/m^2 in total (EUR 7.79/m^2 in rent and EUR 3.98/m^2 in savings that can be taken out in 30 years) compared to the local average rent of EUR 12/m^2 (Mas Coop, 2025[78]; SeLoger, 2025[79]).

Box 2.6. Limited-profit housing associations in Austria

Limited-profit housing associations (LPHAs) emerged in Austria at the end of the 19th century and in 2021 owned or managed around a million dwellings that are rented, owner occupied or are part of municipal housing. Around half (54%) of the associations take the form of limited liability or public limited companies and the other half (46%) are co-operatives.

Innovative mechanisms

Cost-based rent setting: LPHAs cannot set rents that are above or below the costs of construction, maintenance and financing of their buildings. Rental dwellings for which the cost of financing has been paid off are under permanent rent control, with rents usually set at below the cost-rent.

Allocation: LPHAs allocate their housing units based on a mix between social criteria (used in allocation of municipal housing) and market criteria (used by the private sector). LPHAs are aimed at broader population groups than municipal housing but low- and middle-income households still have priority. If an LPHA is publicly funded, it needs to allocate a certain share of its units to low-income priority groups.

Profit reinvestment and revolving funds: LPHAs cannot distribute profit to owners and must reinvest them into construction. The shares in LPHAs can only be traded at the nominal price of the initial investment.

Impact

The cost-based rent setting results in approximately 20% cheaper rents than in the private sector. The affordability gap between LPHAs and private dwellings has been widening over the past few years, with a particularly large difference in urban areas. The prices of dwellings sold by LPHAs are estimated to be 12% less expensive than in the private sector. LPHAs are also actively engaged in renovation of the old building stock. Only 4% of the buildings owned by LPHAs built before 1980 have not benefitted from renovation and insulation measures compared to 40% for the general housing stock. Overall, LPHAs are estimated to add up to EUR 980 million annually to the Austrian economy.

Source: GBV (n.d.[42]), Klein and Streicher (2021[77]), Housing Europe (2023[41]), Pittini, Tumbull and Yordanova (2021[76])

Housing quality and size are set as basis for rents by some social economy entities. Housing associations in the Netherlands, for instance, are subject to regulated rent limits, which are determined through the Home Valuation System. The system allocates points to a home based on quality indicators, which are then converted to a maximum rent (van Rijn, 2024[80]). In Slovenia, non-profit rents are calculated based on a formula that takes into account the property value (determined by elements such as living space and the technical state and quality of the dwelling) and its location. A proposed reform envisages the transition to a cost-based rent system (OECD, 2023[81]). In *la Borda* housing co-operative in Barcelona (Spain), the monthly contribution is based on the size of the apartment and the cost of the communal areas (World Habitat Awards, 2019[68]). The rent is EUR 8.71/m^2, which is cheaper than private rentals in the area (around EUR 11/m^2) but more expensive than public housing (around EUR 7.85/m^2). The monthly contribution will decrease to around EUR 5.86/m^2 once the co-operative's loans are repaid (World Habitat Awards, 2019[68]). In Czechia, the monthly rent paid by residents of housing co-operatives is determined by the dwelling's floor area (OECD, 2021[82]).

Social economy housing providers can decrease local average private rents. Research from Austria shows that a 10% increase in the share of non-profit housing associations in a region is associated on average with 30-40 cent lower rents per square meter in the non-regulated rental sector. The presence of limited-profit housing associations results in on average 5% cheaper rents in the non-regulated rental segment. It does so through encouraging private providers to compete with LPHAs (Klien et al., 2023[83]).

Some social economy housing entities offer ownership solutions. For instance, around one third of homes managed by LPHAs are in individual ownership (Koessl, 2022[84]). In 2021, Dutch housing associations sold 5 600 social units, with 4 400 units (around 80%) going to existing tenants. This creates opportunities for first-time buyers and provides equity for the development of new social rental housing (van Deursen, 2023[73]). The *Accession Solidaire* association in France (part of the *Habitat et Humanisme* federation) offers a scheme to low-income first-time home buyers. It mobilises funds by issuing bonds to its network of over 2 000 subscribers. Once the bonds mature, they are either repaid, reinvested in another project or donated to the association to benefit from tax advantages. The raised funds are used to offer interest-free loans to low-income first-time homebuyers. This innovative financial mechanism reduces the homebuyers' debt-to-income ratio, which allows households who previously could not afford to buy a home, to do so (Habitat et Humanisme, n.d.[85]).

Although in contrast to condominiums, units in housing co-operatives cannot be owned, ownership co-operatives allow inhabitants' shares to be sold at market value. This housing co-operative model is common in Norway, Poland, Sweden and the US (Infographic 2.3.). The yearly cost of such housing is often lower than the market value. For instance, in Sweden, in 2021, the median yearly cost of housing in co-operatives was SEK 73 000 (around EUR 6 500), compared to SEK 77 000 (around EUR 6 800) for rented apartments and SEK 86 000 (around EUR 7 600) for owner-occupied apartments (Statistics Sweden, 2021[86]).

Infographic 2.3. Different types of housing co-operatives

	Non-profit rental co-operatives	Ownership/equity co-operatives
Ownership	Members **do not own** their housing, they pay for its use	Members **hold equity shares** for housing use
Profit	**Non-profit basis**, surplus is reinvested	**Non-profit basis**, they may allow share-value growth
Exit conditions	Members **receive back** their shares and deposits	Shares **can be sold** at market value (with limits)
Community	Members manage operations **collectively** and sometimes foster community interactions	Members manage operations **collectively** and sometimes foster community interactions
More common in	Austria, Canada, Germany, Czechia and Switzerland	Norway, Poland and Sweden

Source: Based on Cooperative Housing International (n.d.[87]), Cooperative Housing International (2020[88]), Cooperative Housing International (2020[89])

Social economy entities often adopt a diversified financial model that allows them to provide long-term affordable housing with limited direct government support. The financial model of social economy housing entities usually consists of revolving funds from rental income, long-term loans from private and public institutions, and equity from unit sales or tenants' deposits. For example, Dutch housing associations use revolving funds of rental income for their operations and fund the construction of new housing using excess rental revenue, equity from unit sales and long-term loans from private institutions backed by a government guarantee (van Deursen, 2023[73]). Austrian housing associations mainly rely on public and bank loans, with public grants making up only 5% of funding. The funding for Danish housing associations mainly comes from loans provided by mortgage institutions guaranteed by the state and municipal loans. Private loans with state guarantee are the main financing option for Finnish housing associations (Pittini, Turnbull and Yordanova, 2021[76]). Housing social enterprises in France get only around 7% from public subsidies, with the majority of the funding (almost 80%) coming from public and private loans (Sénat, 2019[90]). In Slovenia, the National Housing Fund that supports non-profit housing associations, has not received any public contributions from 1991 to 2023. In 2023, the Fund received a public capital injection of EUR 25 million and currently relies on funds from the state budget, domestic and foreign grants, own revenues from financial investment, rental income and apartment sales, as well as long-term loans and guarantees (Ziemann, 2024[91]; OECD, 2023[81]).

Housing co-operatives, such as Mas Coop in Beaumont-sur-Lèze (France) (Box 2.7), are typically financed by bank loans, initial contributions, grants, monthly membership fees and member as well as non-member savings or shares. For instance, some housing co-operatives in Germany have savings institutions that offer their residents investment products with higher interest rates than those proposed by commercial banks. The funds are used to finance new construction and maintenance of existing buildings (Kulenovic and Maslauskaite, 2019[50]). *Sostre Civic*, an umbrella organisation for co-operative housing projects in Catalonia (Spain), offers its members and non-members to buy shares to support a specific housing development (Sostre Civic, n.d.[92]). *HSB Riksforbund*, one of the two largest developers and managers of housing co-operatives in Sweden, offers savings accounts for non-residents to move up in the waiting list. In 2021, there were more than 120 000 savers on the HSB lists who contributed SEK 4.3 billion (Swedish kronor) (around EUR 280 million). The funds are primarily used to build new housing co-operatives (Thompson, 2023[93]).

Box 2.7. Mas Coop intergenerational housing co-operative in France

Mas Coop is a housing co-operative created in 2015 by a group of households in Beaumont-sur-Lèze, near Toulouse. It comprises 11 eco-friendly houses, a communal building and a shared garden. It accommodates 29 residents aged between 1 and 74.

Innovative mechanisms

Affordability for low-income groups: Residents must be eligible for social housing. Each member of the co-operative must make an initial financial contribution equivalent to 20% of the cost of their future home. If some co-operative members bring in more than required, other households can pay less. Moreover, the general assembly can decide to lower the monthly contributions for residents in financial difficulty, if other members agree to pay more.

Diversified financial model: Mas Coop is financed by a bank loan, grants, initial contributions and monthly membership fees. The project received a state-backed loan (*prêt locatif social)* of EUR 2.07 million from a commercial bank and some grants from private and state actors. Alongside the initial contribution, each resident must pay a monthly membership fee, which is divided into two parts: a rental part and a savings part. The rental part covers the costs of the co-operative, including the loan interest repayment. The savings part goes to a fund that covers major works, unexpected move-outs, unpaid rent and the repayment of the bank loan principle. When a member leaves the co-operative, Mas Coop reimburses their initial contribution, but the savings part cannot be taken out for 30 years. Furthermore, to help pay for unforeseen costs, the co-operative decided to allow non-residents to support the project by buying shares in the co-operative.

Intergenerational resident involvement: All members of the co-operative participate democratically in the decision-making process of the residents' council. Moreover, the complex hosts couples, families with children and seniors, who help each other with daily tasks such as grocery shopping and bringing children to school. The inter-generational aspect is facilitated through the availability of different-sized apartments, allowing residents to move throughout their lifetime based on their needs.

Green innovation: The project incorporates a bio-climatic design, using bio-sourced and natural materials whenever possible for the construction of the dwellings. All buildings and communal spaces are energy efficient, requiring no air-conditioning and minimal heating. Roofs are leased to a solar energy co-operative (SCIC Citoy'enR), contributing to the energy needs of the buildings.

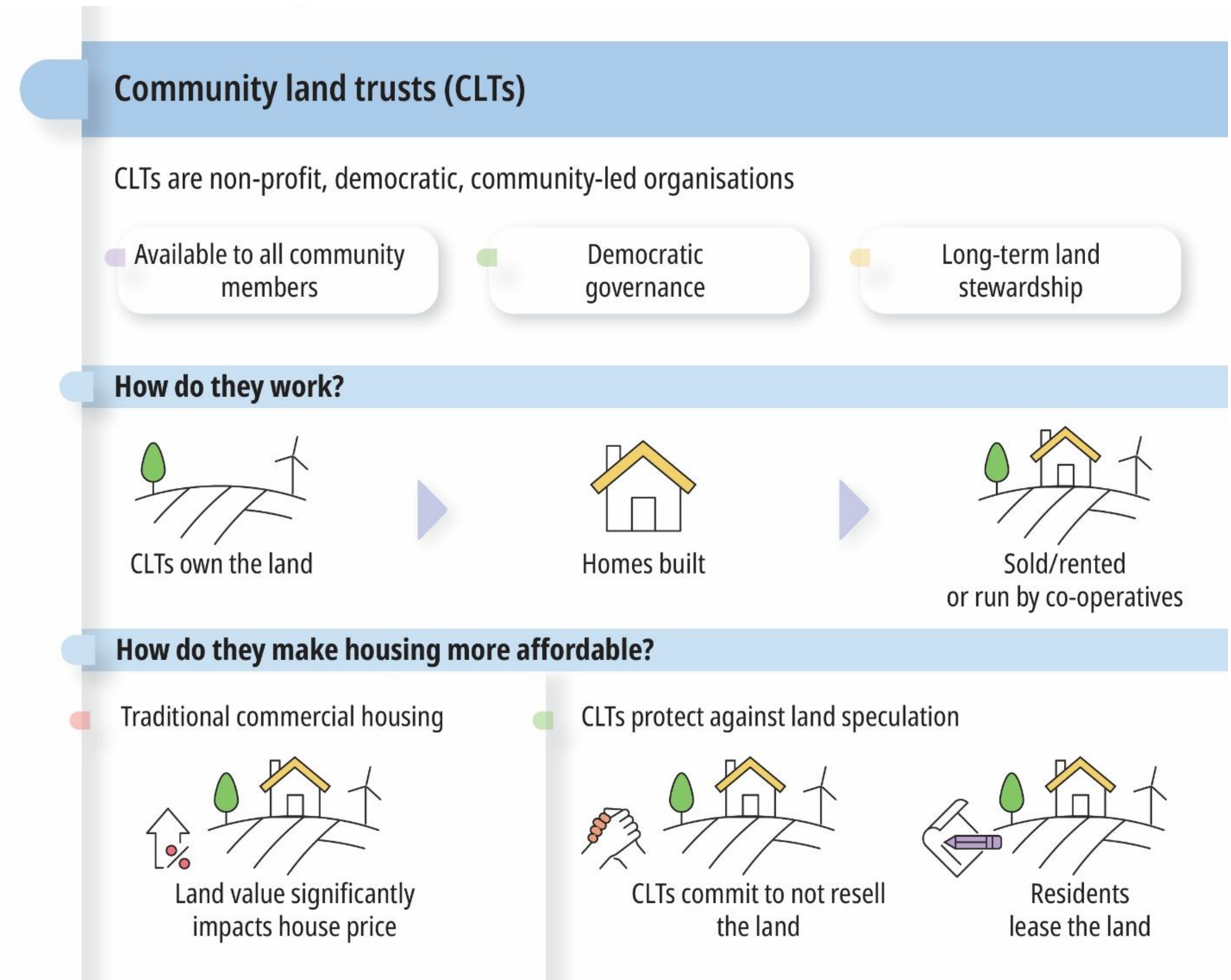
Impact

Mas Coop apartments charge below-market rents. In Beaumont-sur-Lèze, average rent reaches EUR 12/m^2. Mas Coop apartments are priced at a more affordable EUR 11.77 /m^2 (EUR 7.79/m^2 in rent and EUR 3.98/m^2 in savings that can be taken out in 30 years). The shares are regulated and are not directly related to the value of the property, which makes speculation impossible. Moreover, Mas Coop has been awarded the "NoWatt Building" label in recognition of its low carbon footprint.

Source: World Habitat Awards (2023[94]), Mas Coop (2025[78]), SeLoger (2025[79])

Long-term affordability of social economy housing is also facilitated by restrictions on the resale of shares and land. Many ownership housing co-operatives place conditions on the resale of shares, such as restrictions on the share price or quantity that can be sold, to prevent speculation and maintain the affordability of their housing offer (Cooperative Housing International, n.d.[87]). Moreover, as land value significantly influences the housing price, community-land trusts (CLTs) make housing more affordable through decoupling the value of land from buildings[2] and restricting land re-sale (Infographic 2.4). In Europe, there are currently more than 500 Community Land Trusts, mainly in Belgium (Box 2.8), Ireland, the Netherlands, Spain and the UK (Community Land Trust Network, n.d.[95]; Foncier Solidaire France, n.d.[96]; European Community Land Trust Network, n.d.[97]).

Infographic 2.4. How do community land trusts work?



Source: Based on European Community Land Trust Network (n.d.[97])

Box 2.8. Community land trust Brussels (Belgium)

Community land trust Brussels (CLTB) consists of a non-profit association and a public utility foundation providing affordable housing to households with low-income backgrounds by decoupling the value of land from property and managing it in the interest of the community.

Innovative mechanisms

Decouple buildings and land to maintain affordability: The Community land trust (CLT) separates the value of land from property. CLTB residents buy the property and the CLT owns the land. The non-profit and community-centered nature of CLTB ensures that the land and the property remain affordable. Mortgages for CLTB residents are financed by *Fonds du Logement,* the main provider of social mortgages in the region, which sells CLTB properties and grants reduced mortgage rates to CLTB residents.

Limits on owners' income and resell conditions: To be eligible for CLTB housing, future owners must register as members on the CLTB website and meet the income limits set by social housing regulations. Homes can be resold, but only at a limited price that allows sellers to recover their investment plus a limited margin, ensuring long-term housing affordability.

Resident involvement: All CLTB housing consists of multi-unit buildings managed by residents who make up one third of the CLBT and foundation administration. At the beginning of a new housing project, a group of future owners is selected to participate in designing, planning and developing the project. This groups meets regularly and receives training on co-ownership, energy efficiency and collective decision-making.

Sustainable initiatives: All new CLTB built housing units meet passive energy standards. The organisation includes sustainability clauses in construction tenders, advocates for reduction in parking spots, and promotes the use of shared bikes. CLBT aims to achieve a minimum energy rating of C for its buildings. CLTB also offers trainings to its residents on how to use sustainable technologies.

Impact

CLTB has completed five housing projects, providing housing to 450 people in 103 homes. The housing model results in homes that are, on average, 40% more affordable than market alternatives. The final cost of the house depends on the household's income ranging from 50% more affordable for the lowest-income households to 20-30% more affordable for higher-income eligible groups.

Source: World Habitat Awards (2021[98]), CLBT (2024[99]), CLBT (2024[100])

CLTs served as an inspiration for other models that decouple buildings from the land that they are on. For instance, in France, the *Organismes de foncier solidaire (OFS)* are entities recognised by public authorities that separate land and property ownership to provide affordable housing but have less emphasis on long-term community involvement than CLTs (Community Land Trust Network, European CLT Network and Dark Matter Labs, 2025[101]). An OFS buys land and allows developers to build and market homes under a special lease (*bail réel solidaire*). The residents, who can be owners or renters, pay for their dwelling and land separately. Since the land is under a long-term lease (usually 18-99 years long), which regulates the re-sale of the property on the land and limits speculation, the total monthly payments are cheaper than under traditional homeownership or rental (Foncier Solidaire France, n.d.[102]).[3] For instance, *Grand Delta Habitat* established *La Coopérative Foncière Méditerranée* to make homeownership more affordable. The potential inhabitants buy only the building, whereas land is owned by the co-operative. This reduces the price by 20-50% in Côte d'Azur. In l'Isle-sur-la-Sorgue (Vaucluse department), *Grand Delta Habitat* is selling homes at EUR 3 320/m^2, a quarter below the market price. The owner, in turn has to pay EUR 1.63/ m^2 to the co-operative, which is an OFS. There are limits on resale capital gains and income ceilings for (potential) owners (Housing Europe, 2025[103]).

Inclusion of specific or vulnerable groups

Social economy housing is often available to a wide range of potential residents, creating opportunities for interactions between different groups. For example, in Austria limited-profit housing associations allocate housing based on social and market criteria, prioritizing low-income individuals. This approach results in a greater share of middle-income residents than in municipal housing (Klien and Streicher, 2021[77]; Angel and Mundt, 2024[104]). In Denmark, there is no income criteria to sign up for the non-profit housing waiting list but one in four apartments are reserved for those with unmet housing needs and are allocated by municipalities (BL, n.d.[105]). The Feld4 housing co-operative in Basel (Switzerland) offers apartments of different sizes to meet different lifestyle and living arrangement needs. The building was constructed to facilitate minimal interventions if a change in apartment size is needed (ArchDaily, 2024[106]). In Germany, the *NettelbeckPlatz* project in Berlin, implemented as part of the Affordable Housing Initiative European Partnership, renovated the Housing Cooperative *Berliner Bau- und Wohnungsgenossenschaft von 1892 eG* to include apartments that can be adapted to different groups (SHAPE, n.d.[107]).

Groups that struggle to access suitable housing, such as students, homeless individuals and seniors, are typically the focus of social economy housing entities. For instance, in Finland, non-profit rental housing associations target vulnerable groups, such as individuals experiencing homelessness, youth and older people (Pittini, Turnbull and Yordanova, 2021[76]). *Riksbyggen* co-operatives in Sweden have schemes that allow young households to buy a home after renting for four years (Housing Europe, 2024[108]). The *Studentendorf Schlachtensee eG* in Berlin (Germany) manages around 1 300 residential units for students and young professionals (Studentendorf Schlachtensee, n.d.[109]). The Global Financial Crisis led to the emergence of social housing co-operatives in Spain, mainly in the form of co-housing for seniors (Ahedo, Hoekstra and Etxezarreta, 2021[110]). The *Chamarel les Barges* co-operative near Lyon (France) is also aimed at older individuals (Chamarel, n.d.[111]).

Social economy entities play a significant role in reducing homelessness by providing both long-term affordable housing and emergency accommodation. There are many examples of proactive and innovative actions led by SSE entities. For instance, the *Habitat et Humanisme* association (Box 2.9) builds, buys and renovates buildings to house vulnerable individuals. Moreover, the association mobilises private housing providers to offer housing for those in difficulty in exchange for managing their property, ensuring consistent rent payments and some fiscal advantages for the landlord. The association also provides emergency accommodation. The *Provivienda* association in Spain aims to reduce homelessness through adopting a Housing First approach by mediating between individuals in need of housing and private landlords. The organisation has managed more than 68 000 housing units in over 30 years of its operations (Provivienda, n.d.[112]). The negotiated rents are about a fifth lower than market rents while remaining attractive for landlords, especially those with vacant properties (OECD, 2024[35]). No Permanent Housing association (*Vva ry*) in Finland manages the country's first housing service based on the Housing First principle in Helsinki. The association also runs a temporary accommodation unit (Vva ry, n.d.[113]). The *Casa Ioana* association in Romania offers rooms monitored by a security company in the centre of Berceni to women and children affected by domestic violence and/or homelessness (Casa Ioana, n.d.[114]).

Box 2.9. *Habitat et Humanisme* federation

Habitat et Humanisme is a federation of 59 associations operating across 87 French departments, Belgium and Luxembourg. It provides tailored housing solutions for vulnerable groups, offers them a range of personal services and aims to strengthen social ties and cohesion.

Innovative mechanisms

Tailored and affordable housing options: *Habitat et Humanisme* provides housing for socially isolated and vulnerable individuals that offer communal living with close social support, intergenerational housing, housing for seniors and people with disabilities to promote their autonomy, as well as youth residences. Emergency accommodation is aimed at vulnerable individuals such as refugees and individuals experiencing homelessness. These initiatives are complemented by community centres that facilitate social inclusion by strengthening ties among residents and with the local population.

Social support: *Habitat et Humanisme* combines housing solutions with personalised social support to facilitate vulnerable individuals' autonomy, dignity and social integration. It has more than 140 staff members and over 2 000 volunteers who receive continuous training to provide individual and tailored assistance such as helping residents with daily life tasks, navigating social services, accessing healthcare and other administrative procedures.

Sustainable housing renovation: *Habitat et Humanisme* aims to improve the quality and energy efficiency of its housing stock. The association seeks to accelerate energy renovations both in their own properties and in those entrusted by solidarity landlords. To achieve this, they support landlords in meeting new legal standards through renovation advice and guidance, while providing education to tenants on sustainable housing practices to reduce energy costs.

Impact

The association offers more than 11 000 housing units, either owned by the association or provided by solidary landlords. In 2023, the association provided housing to 2 030 families and emergency accommodation to 2 740 individuals. Three quarters (74%) of newly-housed families were below the poverty line, compared to 32% in general social housing. In terms of housing affordability, *Habitat et Humanisme* rents in the 10th arrondissement in Paris averaged EUR 6.6/m^2/month, compared to EUR 8.5/m^2/month for social housing and EUR 25/m^2/month in the private market.

Source: Habitat et Humanisme (2025[115]), Habitat et Humanisme (n.d.[116]), Habitat et Humanisme (2024[117])

Proximity services and community development

Proximity services

Social economy housing entities often provide different types of care for its residents. For instance, *Habitat et Humanisme Soin* in France, in 2023, directly managed 35 homes with specialised units and temporary accommodation and assisted in the management of 21 homes for dependent older persons. It offers care services that aim to maintain dependent persons in their homes while encouraging autonomy and social integration (Habitat et Humanisme Soin, 2024[118]). *Mutualité Française Grand Sud* has developed residences for older persons. For example, their means-tested residence for seniors in the new Grisettes eco-district in Montpellier is part of a service centre with a care facility, nursery, medical centre and a centre for social activities (Mutualité Française Grand Sud, n.d.[119]). Co-operative Housing Ireland provides early years education and childcare for school-aged children to its members and the wider residents of East Wall, Dublin. It does so by partnering with Co-operative Childcare Island Key, which provides affordable and quality care (Co-operative Housing Ireland, 2024[120]). The *Nowe Żerniki* complex in Wrocław, Poland, alongside self-built housing co-operatives, developer apartments, social rental housing and living facilities for older people, offers schools and nurseries (Nowe Żerniki, n.d.[121]). The *Provivienda* association in Spain, focused on reducing homelessness, offers social support services and residential emergency care (Provivienda, n.d.[112]).

Intergenerational housing offered by some social economy organisations creates opportunities for personal service provision and encourages socialisation. For example, the Mas Coop co-operative in Beaumont-sur-Lèze, France, encourages different types of households to live in the co-operative, including couples, families with children and older people to help each other with daily tasks such as grocery shopping and bringing children to school (World Habitat Awards, 2023[94]). In the *WZCHumanitas* long-term care centre, a public benefit foundation in Deventer, the Netherlands, students can live free of charge in exchange for spending at least 30 hours per month interacting with older residents through organising events and sharing meals, among other activities (WZC Humanitas, n.d.[122]).

Some non-profit organisations combine access to housing with financial education, employment support and legal advice. The Homelab pilot projects in Czechia, Hungary, Poland and the Slovak Republic take the social rental agency model further by offering employment support alongside affordable housing (Box 2.10). The *Casa Ioana* association in Romania provides temporary accommodation to women who have experienced domestic violence and homeless individuals. This offer is complemented by psychological support alongside help with creating a safety plan, legal support, access to social benefits and communication training, among others, with the goal of facilitating the beneficiaries' safety and helping them to find employment (Casa Ioana, n.d.[114]).The HERO project aims to empower Roma communities in small- and medium-size municipalities in Bulgaria, Romania and the Slovak Republic. Non-profit organisations, in partnership with social banks and local authorities provide financial literacy training, employment assistance and access to saving schemes. The goal is to provide the beneficiaries with a microloan to be used to self-construct or improve their home. The project aims to have a lasting impact on local communities through spurring economic development and social cohesion (HERO, n.d.[123]).

Box 2.10. HomeLab social rental enterprise pilot projects in Eastern Europe

The HomeLab project seeks to implement the social rental enterprise (SRE) model through five pilots in Czechia, Hungary, Poland and the Slovak Republic. This project was financed by the European Commission under the EU Programme for Employment and Social Innovation (EaSI). The project targeted individuals and families at risk of poverty and social exclusion, particularly those living in unfavourable conditions or without access to housing.

Innovative mechanisms

Interlinked housing, employment insertion and social services: SREs are based on the social rental agency (SRA) model and act as mediating agents that connect private landlords with vulnerable individuals who cannot access housing. In addition to housing, SREs offer employment insertion and social services such as job counselling, individualised training and social support. These initiatives aim to improve labour market outcomes among the beneficiaries and thereby facilitate their long-term access to housing.

Partnership with the social economy: The HomeLab pilot projects relied on a strong partnership between the local governments and civil society organisations. Non-governmental organisations (NGOs) provided tailored support to vulnerable groups and helped municipalities with beneficiary identification and outreach.

Impact

HomeLab pilot projects supported 82 households in Hungary (17 in Budapest and 65 in Veszprém), 62 households in Poland, 53 households in Czechia and 46 households in the Slovak Republic. The rent prices vary depending on the role of the SRE. The SRE can act as the manager of the municipal social housing stock and/or be the mediator between beneficiaries and private landlords. For instance, SREs in the Polish pilot project assumed the mediator role and provided full flat management, which allowed to reduce the rent price by 10-20%. The services offered by SREs ranged from negotiating with employers to supporting the beneficiaries in the job application process, resulting in formal employment for 37 households in the Slovak project, 36 in the Hungarian, 21 in the Polish and 15 in the Czech project.

Source: HomeLab (2019[124]), European Social Fund Plus (2022[125])

Access to local shops

Some entities facilitate access to food and other goods by locating grocery shops or cafes, often run by social economy organisations, inside or close to their buildings. For instance, the Social Commissary (*L'Economat*), an associated work co-operative selling organic products, is located on the ground floor of the *Cirerers* project in Barcelona, Spain, developed by the *Sostre Civic* co-operative (Sostre Civic, n.d.[126]). *La Chalmeta*, another housing co-operative in Barcelona, Spain, offers its ground floor space to *Keras Buti*, a food consumption co-operative that promotes the consumption of local and organic food (La Chalmeta, n.d.[127]). The *Nowe Żerniki* complex in Wrocław, Poland, that includes self-build housing co-operatives, has commercial spaces such as supermarkets and cafes inside it (Nowe Żerniki, n.d.[121]).

Community engagement and development

Social economy housing entities usually have participatory governance, with residents having a say in key decisions such as the budget, house rules and renovations. For instance, in Denmark, non-profit housing associations have a board with tenant representatives, who collectively make decisions (BL, n.d.[105]). In the Netherlands, some housing associations consult tenants and local residents before implementing significant changes. For example, the *Eigen Haard* association consulted stakeholders before renovating one of its buildings. During several meetings, children were given the possibility to draw their dream streets and their vision of the future neighbourhood. The resident committees in the neighbourhood were also involved in planning the social aspects of the development, such as the allocation of relocation allowances (Eigen Haard, 2023[128]). In France, local authorities and tenant representatives are board members of housing social enterprises and are elected from lists compiled by associations active in the housing sector (Les entreprises sociales pour l'habitat, n.d.[43]). Almost half (46%) of LPHAs in Austria take the form of a co-operative, which encourages tenant participation by allowing them to elect the board and vote on key decisions (GBV, n.d.[42]). The residents were involved regularly in the *NettelbeckPlatz* project in Berlin that included a housing co-operative. This led to substantial changes to the renovation plan, including the transformation of the ground floor to shared spaces for the whole community (SHAPE, n.d.[107]). Community land trusts have democratic governance, which involves residents, the private sector, public authorities and the local community who does not live on the land (Community Land Trust Network, European CLT Network and Dark Matter Labs, 2025[101]). The participatory aspect of social economy entities usually makes their housing quality often better than public or other private alternatives (Kulenovic and Maslauskaite, 2019[50]).

They also facilitate community development by providing shared spaces and organising social activities. Housing associations in Denmark are responsible for the social activities among their residents (Bican, 2020[129]). For example, residents of the Lejerbo housing association in Nyborg have started and run social activities such as gymnastics and sewing in the Origo community centre with the support of social housing staff (Lejerbo, 2025[130]). The 2022 amendment of the Housing Act allowed Dutch housing associations to pursue projects focused on increasing social interactions. For instance, housing associations like *Alliantie* and *KleurrijkWonen* engage in neighbourhood revitalisation, while encouraging resident-led initiatives such as community gardens and clean-up days (Den Boer, 2023[131]). One of the core action areas of the *Habitat et Humanisme* federation, alongside providing affordable housing, is to combat the isolation of vulnerable individuals and contribute to social cohesion (Habitat et Humanisme, n.d.[116]), For example, the federation organises a yearly 'solidarity hour' campaign in France to raise awareness about volunteering and solidarity with vulnerable individuals. It spans over a week with more than 30 ambassadors from the artistic, sports or culinary spheres giving an hour of their time to share their skills with individuals housed by the association. This initiative aims to promote volunteering opportunities, which can be a powerful catalyst for local development through revitalizing neighbourhoods, improving social cohesion and increasing community resilience (Habitat et Humanisme, 2024[132]; OECD, 2024[133]).

Challenges social economy housing entities face

Despite their positive impact, social economy housing entities face a number of challenges that prevent them from scaling and addressing the needs of vulnerable households while minimising their environmental footprint. These barriers include: (i) lack of an enabling legal framework, (ii) unaffordable land, (iii) balancing affordability with financial and environmental sustainability and (iv) limited long-term finance options to scale.

Lack of an enabling legal framework

In some countries, existing legal frameworks specific to the social economy in housing or related to housing more broadly present significant barriers that prevent social economy housing entities from effectively developing and expanding their reach. These legal restrictions may include absent or outdated regulations, restrictive zoning laws, or a lack of supportive policies that recognise and facilitate the unique nature of social economy housing initiatives. As a result, these entities often face challenges in acquiring land, accessing funding, or gaining official approval for projects, which hampers their ability to address housing shortages and provide affordable and sustainable housing solutions for vulnerable populations. For example, in Poland, the Co-operative Law Act of 16 September 1982 and the Housing Co-operatives Act of 15 December 2000, under which housing co-operatives operate, have been amended over 20 times, causing uncertainty in the sector (Cooperative Housing International, 2020[88]). Although Slovenia has a general law on co-operatives and a housing law, it lacks a regulatory instrument for housing co-operatives. This makes it very difficult for a potential housing co-operative to acquire land at below market price and access public support mechanisms (Ramšak, 2023[134]). Hungary and Croatia also do not have legal instruments dedicated to rental housing co-operatives (Džokić and Ramšak, 2022[135]).

Unaffordable land

The lack of access to affordable land is one of the main factors hampering the development and scaling of non-profit housing providers, especially in urban areas with higher residential land scarcity and price. For instance, in Slovenia, the need to acquire land at market rates coupled with limited profitability hinders investment in social housing and limits the presence of not-for-profit housing providers (Ziemann, 2024[91]). The increases in land costs, especially in urban areas, make building new co-operatives in Sweden more difficult (ILO, 2025[136]). The lack of access to affordable land, among other factors, hinder social economy housing entities from meeting the growing demand for housing. For example, in at least 90 of 344 Dutch municipalities the waiting time for social housing, 82% of which is provided by housing associations, is longer than 7 years and in 5 municipalities, it exceeds 17 years (Eurofound, 2023[137]).

Balancing affordability with financial and environmental sustainability

Social economy housing entities can find it difficult to keep their housing affordable and inclusive while ensuring that they are financially and environmentally sustainable. Striking this balance is particularly difficult due to increases in construction costs and interest rates. For instance, LPHAs in Austria finance around half of their new construction with private loans, which means that interest rate increases raise the cost of construction. Moreover, from 2020 to 2022, the cost of materials increased by 38%, which made some LPHAs postpone their construction projects (Housing Europe, 2023[41]). The higher construction costs, in the absence of public support, are likely to be passed on to tenants in the form higher cost of housing or prevent social economy entities from building new homes in response to growing demand.

While the financial model of social economy housing entities can contribute to their financial sustainability and result in lower-than-market rents, **it might make housing unaffordable for some low-income households.** The cost-based rents can be too high for some individuals, especially if construction and financing costs increase. Moreover, downpayments and resident participation required by some social economy housing providers might make it less accessible to low-income households. For example, housing associations in Austria and many housing co-operatives across EU Member States such as Germany and France require a downpayment before moving in, which, in combination with the need to engage in collective decision-making, can be a barrier for low-income and vulnerable households to benefit from social economy housing (OECD, 2023[81]; Lang and Novy, 2013[138]; Laine et al., 2018[139]).

In some countries, the sale of housing units managed by housing associations or ownership co-operatives might benefit wealthier population groups. For instance, in Austria, higher-income households (those in the fifth quintile) who buy a home from LPHAs aggregately save EUR 32.8 million compared to only EUR 14.9 million among the poorest households (those in the first quintile). This is driven by the general greater ability of wealthy households to buy a home (Klien and Streicher, 2021[77]). The sale of housing units by Dutch housing associations allows them to diversify their income and is targeted at first-time young buyers. Nevertheless, the prices of their housing units have been increasing faster than the market average and are becoming closer to homes sold by private developers. Moreover, the sale of housing units can decrease the availability of social rental housing if the income from the sale is not re-invested into building new homes (Rekers, 2022[140]).The shares in ownership housing co-operatives can sometimes be sold at market values, which decreases their affordability (Cooperative Housing International, n.d.[87]; OECD, 2025[141]).

Green initiatives undertaken by social economy housing entities usually incur a high cost and can result in increases in the cost of housing for residents. For instance, in Ireland, the Sustainable Energy Authority usually funds up to half of the renovation works with non-profit Approved Housing Bodies (APHs) having to provide the rest of the funds. This represents a significant cost that cannot be paid without raising rents and can impede affordability (Housing Europe, 2023[41]). The potential cost increases that result from sustainability measures can discourage residents from voting in favour of them in entities with democratic governance, thereby hindering the sustainability efforts.

Limited long-term finance options to scale

Non-profit housing initiatives in some countries are limited partly due to the lack of long-term (typically 25-30 years long) financing options, which prevents them from scaling their activities. For example, the financial products offered by private financial institutions for residential property developments in Croatia, Hungary and Slovenia are usually short-term loans, typically lasting 2-3 years with some going up to 10 years and are structured around the construction and sale of apartments, which mainly benefits higher-income buyers. In Croatia and Hungary, public financial institutions do not offer any long-term financial instruments for housing development and instead focus on providing loans for energy efficiency improvements (Pósfai et al., 2022[142]).

The difficulty with access to finance can be partly explained by limited experience among financial institutions in lending to social economy housing entities or the lack of regulation. Without proper regulation and track record, potential lenders perceive co-operatives and non-profit rental housing as high-risk investments, especially in countries where homeownership is prevalent (Lidberg, 2018[143]; Pósfai et al., 2022[142]). For instance, in Croatia, Finland and Hungary, housing co-operatives face challenges in securing financing and scaling due to limited public support and scepticism from financial institutions (Charlesworth and Hyötyläinen, 2023[144]; Pósfai et al., 2022[142]).

Policy options

Housing as a political priority that the social economy can help address through innovative solutions

Housing is a political priority at local, regional, national and international levels. Over two-thirds of countries in the EU and the OECD have a dedicated national housing strategy, while some other countries have regional strategies or other strategic documents that set out housing policy objectives. The top priorities in national housing strategies are i) access to affordable housing, ii) improving its quality, iii) increasing housing supply, and iv) promoting sustainable and inclusive urban development. Other priorities include boosting energy efficiency and resilience to natural disasters, and improving housing conditions of specific groups (OECD, 2024[145]). The OECD Agenda for Housing Policy Reform provides an OECD reference for housing policy and considers the multifaceted nature of housing policies, an enabling regulatory environment, inclusive policy strategies, housing sustainability, housing finance, among other factors (OECD, 2024[146]). The OECD *Confronting the cost-of living and housing crisis* paper highlights the importance of housing affordability, supply and funding with the aim to inform actions at city level (OECD, 2023[3]). On the EU level, housing and assistance for the homeless is the 19th principle of the European Pillar of Social Rights (European Commission, 2023[147]). The 2021 Lisbon Declaration established the European Platform on Combatting Homelessness and agreed to a set of objectives aiming to eradicate homelessness (European Commission, n.d.[148]). The Affordable housing initiative was included in the European Commission's renovation wave to ensure that social and affordable housing benefits from energy efficiency investments (European Commission, n.d.[149]). The EU Affordable Housing Plan is currently being developed with the aim to be adopted in December 2025 to support EU Member States, regions and cities to increase the supply of affordable and sustainable housing, as well as to improve access to housing for vulnerable individuals (European Commission, 2025[150]).

As shown above, social economy entities can help to deliver on these priorities. The importance of non- and limited-profit organisations for sustainable, inclusive and efficient housing markets is highlighted in the OECD Agenda for Housing Policy Reform (OECD, 2024[146]). The 2021 Lisbon Declaration recognises the role of the social economy in addressing and preventing homelessness (European Commission, n.d.[148]). Some Lighthouse Districts supported by the EU's Affordable housing initiative include social economy organisations (European Commission, n.d.[149]). The importance of social economy housing entities in providing affordable housing is also recognised in some national housing and homelessness strategies as shown in Table 2.1.

Table 2.1. Examples of roles of the social economy in national housing and homelessness strategies

Member State	Strategy	Role of the social economy
France	Second Five-Year Plan for Housing First 2023–2027 (*Deuxième plan quinquennal pour le Logement d'abord*)	Associations are recognised as main partners in the implementation of the strategy. They participate in the Strategic Partnership Committee to strengthen the SIAO's (Integrated Reception and Orientation Service) governance based on a public-private partnership to improve access to housing.
Ireland	Housing for All - A New Housing Plan for Ireland (2021)	NGOs are included as relevant stakeholders for the implementation of the plan, particularly through housing provision for vulnerable households.
Latvia	Housing Affordability Guidelines 2023-2027 (*Mājokļu pieejamības pamatnostādnes*)	NGOs are recognised as significant providers of temporary housing for vulnerable households.
The Netherlands	National Housing and Construction Agenda 2022 (*Nationale woon- en bouwagenda*)	Housing associations are recognised as main stakeholders in the housing agenda, in particular through providing affordable housing, constructing new homes, engaging in sustainability initiatives and improving the living environment. The Agenda aims to support of alternative forms of housing and co-operative initiatives.

Poland	National Housing Programme (*Narodowy Program Mieszkaniowy*)	The programme includes measures to help with the repayment of old loans taken out by housing co-operatives.
Portugal	National Strategy for the Integration of Homeless People *2025-2030 (Estratégia Nacional para a Integração das Pessoas em Situação de Sem-Abrigo)*	Social economy entities such as associations, co-operatives and mutuals are included as members in the Technical Committee for Monitoring, Follow-up and Evaluation. Their role is to participate in the preparation of action plans, annual monitoring and evaluation.
Romania	National Strategy on Social Inclusion of Homeless People for 2022-2027 (*Strategia națională privind incluziunea socială a persoanelor fără adăpost pentru*)	The development of social economy structures that employ and maintain medium- and long-term employment for formerly homeless people is included as a measure.
Slovenia	Resolution on the National Housing Programme 2015-2025 (*Resolucija o nacionalnem stanovanjskem programu*)	Co-operatives are recognised as “alternative forms of living” that can be promoted to address housing issues. The Programme recognises NGOs as providers of housing for the most vulnerable households
Spain	State Plan for Access to Housing 2022-2025 *(Plan Estatal para el acceso a la vivienda*)	Social economy entities included as partner organisations in the implementation of initiatives such as the housing promotion programme for older people or people with disabilities and the programme to support temporary accommodation, cohousing models, intergenerational housing and similar arrangements

Source: Délégation interministérielle à l’hébergement et à l’accès au logement (2023[151]), Department of Housing, Local Government and Heritage (2021[152]); Latvijas Vēstnesis (2023[153]), Ministerie van Binnenlandse Zaken en Koninkrijksrelaties (2022[154]), Ministerstwo Rozwoju i Technologii (2020[155]); Diário da República (2024[156]), Ministerului Muncii și Solidarității Sociale (2022[157]); Pravno-Informacijski Sistem Republike Slovenije (2015[158]), Ministerio de Vivienda y Agenda Urbana (n.d.[159]).

Given that housing has links to broader issues such as local and urban development, residential segregation and spatial inequalities, financial stability and the green transition, countries can support social economy housing entities and more broadly the housing market to encourage the provision of affordable, high-quality and sustainable housing. **This section focuses on policies that can help the social economy do more in housing, in particular, to amplify its contribution in countries where its presence is limited or increasingly growing.**

Enabling legal frameworks and performance agreements to define the scope of action for the social economy in housing and effectively channel policy

An enabling legal framework could be used to clearly define the scope of action for social economy housing entities, their operational modalities and the available policy measures. This would allow to identify social economy housing organisations, to ensure that they operate in line with social economy criteria and to channel support measures. Some countries have done this. For instance, in Austria LPHAs are regulated by the Limited-Profit Housing Act, which sets out rules on business conduct, auditing, building maintenance, rent-setting, revolving funds, among other areas (Koessl, 2022[84]). In the Netherlands, the 2015 Housing Act was adopted after Dutch housing associations suffered a reputational damage due to risky investments, high executive salaries and large portfolios of a few housing associations, as well as competition concerns among commercial investors. The act included an income limit for social housing residents, a landlord levy (which has been repealed in 2023), and a requirement to split the housing associations’ activities into commercial and social portfolios (van Deursen, 2023[160]). In 2022, the Act was amended to allow housing associations to engage in initiatives that facilitate social interactions among residents (Den Boer, 2023[131]). In Denmark, non-profit social housing providers are also strictly regulated, including aspects such as financing of new construction, maintenance and renovation, apartment size and the activities these organisations can engage in (Rogaczewska, 2018[161]). In Slovenia, the National Housing Act is the legal framework for the National Housing Programme and the National Housing Fund, which provides funding for non-profit housing organisations (Ziemann, 2024[91]). The Co-operative Housing Act in Sweden outlines organisational rules for housing co-operatives (Cooperative Housing International, n.d.[162]). In Czechia, 86% of respondents to the 2024 OECD Stakeholder Survey on Affordable Housing agreed that the introduction of a legal definition of the mission and obligations of not-for-profit housing entities could increase the supply of affordable housing (OECD, 2025[141]).

In the Netherlands, the government has concluded not legally binding performance agreements with housing associations and municipalities that set targets and define co-operation modalities. The National Performance Agreement for 2025-2035 was signed by Aedes (the national organisation promoting the interests of housing associations), VNG (Association of Dutch Municipalities) and the Ministry for Housing and Spatial Planning. The Agreement sets targets related to issues such as the number of constructed homes, the share of social housing in newly built homes, rents, maintenance and quality of the living environment (Ministerie van Volkshuisvesting en Ruimtelijke Ordening, 2024[163]).

Public authorities can use legal frameworks and performance agreements to help social economy housing entities to target low-income groups and facilitate social mixing. Policymakers can set the eligibility criteria for housing provided by social economy entities. For instance, in Austria, LPHAs receiving state support need to apply income thresholds set by regional authorities when selecting residents (Pittini, Turnbull and Yordanova, 2021[76]). In the Netherlands, 85% of social housing, 82% of which is managed by housing associations, is allocated to low-income residents (Heylen, 2023[164]; OECD, 2024[40]). In France, the SRU law (*La loi du 13 décembre 2000 relative à la solidarité et au renouvellement urbain*) requires municipalities with over 3 500 inhabitants (1 500 in the Paris region) in designated urban areas to ensure that at least 25% of their housing stock is social housing, 53% of which is provided by non- or limited-profit organisations and co-operatives. This measure aims to encourage a more balanced distribution of social housing, facilitate social mixing and improve local social cohesion (Ministère de l'Aménagement du territoire et de la Décentralisation et Ministère de la Transition écologique, de la Biodiversité, de la Forêt, de la Mer et de la Pêche, 2024[165]). In the Dutch National Performance Agreement for 2025-2035, municipalities are encouraged to ensure that at least 30% of their newly built housing is social housing, 82% of which is provided by housing associations (Ministerie van Volkshuisvesting en Ruimtelijke Ordening, 2024[163]; OECD, 2024[40]).

Legal frameworks that take into account social economy organisational structures and performance agreements can also be used to support green initiatives. In the OECD Global Survey on Buildings and Climate covering 28 countries, almost all countries (89%) have introduced mandatory energy efficiency codes (OECD, 2024[12]). These codes apply to social economy housing organisations. For instance, in Slovenia, more demanding standards for building performance have led to improved energy performance of the social housing stock, 8% of which is provided by social economy entities (Housing Europe, 2023[41]). Laws related to renewable heating are also applicable to social economy housing providers. However, in some cases, these laws do not consider the organisational particularities of social economy entities. For instance, the Austrian Renewable Heating Law (*Erneuerbare Wärme Gesetz)* that aims to eliminate fossil-based heating by 2040, cannot be implemented in limited-profit housing associations due to decision-making challenges as LPHAs require tenants to agree to changes in heating systems so additional legislation is necessary to implement the law (Housing Europe, 2023[41]). The Dutch National Performance Agreement for 2025-2035 includes sustainability measures for housing associations to contribute to the national target to have no CO_2 emissions in the built environment by 2050, such as eliminating all buildings with an E, F or G energy efficiency label by 2030 and stopping social housing buildings from relying on gas by 2050 (Ministerie van Volkshuisvesting en Ruimtelijke Ordening, 2024[163]).

Access to land to enable social economy entities to deliver more affordable housing

Access to affordable land through granting access to or leasing public land, zoning rules and land purchase loans for social economy housing providers could help increase the availability of affordable housing, in particular in urban areas where demand is highest. Some EU Member States have provided solutions for land accessibility for the social economy. For instance, the Special Agreement for Land Assignment (ESAL) in Spain gives housing co-operatives long-term use rights (usually for 75 years) for public land. In exchange, they agree to provide and manage affordable housing to benefit the community in the long-term (Community Land Trust Network, European CLT Network and Dark Matter Labs, 2025[101]). In Finland, many social housing providers, a fifth of which are social economy entities, lease municipal land at rates 20-30% below the market value (Pittini, Turnbull and Yordanova, 2021[76]). In the Netherlands, municipalities use zoning regulations to influence the land price. The land that is dedicated to social housing development has a lower value because less profit can be generated from it. Municipalities can also set prices for social housing land. For example, in Rotterdam, the land for social housing costs EUR 80-90 per square meter, compared to the residential market rate of EUR 600 (van Deursen, 2023[73]). In Denmark, municipalities offer a "land purchase loan" for non-profit housing associations to build on land the cost of which is too high for the organisations to keep within the set construction prices (Pittini, Turnbull and Yordanova, 2021[76]). In France, *la Loi relative à la mobilisation du foncier public* (2013) enabled the sale of public land to social housing providers, over half (53%) of which are social economy entities, at a discount price (up to 100%) (Légifrance, 2017[166]). In Poland, the land in the *Nowe Żerniki* project was given to co-operatives by the city of Wrocław in perpetual usufruct. The bidding price was 80% below market rates and the auction was closed to commercial entities (Habitat for Humanity Poland, n.d.[52]).

Funding and tax measures to scale social economy solutions for affordable, secure and sustainable housing

Social economy entities need long-term funding options to provide affordable, secure and sustainable housing. Policymakers can encourage access to funding through (i) setting up revolving funds, (ii) providing public loans, (iii) offering guarantees, (iv) subsidising interest rates and (v) directly subsidising social economy housing entities. Activities of social economy entities in housing can be considered as "Services of General Economic Interest" and are therefore exempt from the EU State aid rules as long as their prices are based on costs, they reinvest their profits and adhere to some income limits (Ziemann, 2024[91]; OECD, 2023[81]).[4]

Revolving funds can enable social economy housing entities to finance new construction and renovation efforts. A key characteristic of revolving funds is that they are constantly replenished. Any generated capital comes back to the fund to be invested into housing construction and maintenance and in some cases social and infrastructure investments (Portico, n.d.[167]). For example, in Denmark, the National Building Fund was established in 1967 with initial contribution from social housing rent increases and is currently funded by a portion of tenants' rents and the housing associations' contributions to mortgage loans. The fund finances the construction and renovation of social and affordable housing, social projects in vulnerable areas related to security and well-being, education and employment, as well as social and technical infrastructure. The Housing Fund of the Republic of Slovenia was created in 1991 and is funded through the public budget, domestic and foreign grants, revenues generated by the Fund from short-term investments, rental income and apartment sales, as well as long-term domestic and foreign loans or guarantees. It supports construction, renovation and maintenance of residential buildings. In July 2022, Latvia set up the Housing Affordability Fund to support the construction of 700 new rental homes for middle-income households outside the Riga (capital) region by 2026. In the long-term, the aim is to use developers' loan repayments, and a share of tenant rent payments to finance new affordable housing and improve the buildings' quality and energy efficiency. Although limited-profit housing entities are eligible for financing from the Fund, their presence in the country remains limited (OECD, 2023[81]).

Increasing funding available to social economy housing entities through public loans, loan subsidies, guarantees and direct public funding can allow them to expand their construction, renovation and green initiatives. This is already the case in some EU Member States. For example, public or municipal long-term loans are available to social economy housing providers in Denmark, Slovenia and the Slovak Republic (Pittini, Turnbull and Yordanova, 2021[76]; Pósfai et al., 2022[142]; De Pace, 2024[168]). Loans from Latvia's Housing Affordability Fund are available for non-profit rental housing providers but in practice there are very few non-profit housing entities in the country (OECD, 2023[81]). In France, social housing providers, 53% of which are from the social economy, mainly use a dedicated state loan (*eco- prêt*) from *Banque des Territoires* to finance their renovation efforts (Housing Europe, 2023[41]; OECD, 2024[40]). Social economy housing entities receive a subsidy to cover some of the loan repayment in times of high interest rates in Denmark and Finland (Pittini, Turnbull and Yordanova, 2021[76]). State guarantees for private loans to social economy entities in housing are offered in Denmark, Finland, France and the Netherlands (van Deursen, 2023[73]; Pittini, Turnbull and Yordanova, 2021[76]; Mas Coop, 2025[78]). Some small-scale innovative housing projects that involve social economy entities and target vulnerable groups could benefit from direct public funding. For instance, Community land trust Brussels is mainly funded by funds from the Brussels Capital Region (World Habitat Awards, 2021[169]). The HomeLab pilot of social rental enterprises in Eastern Europe received funding from the EU Programme for Employment and Social Innovation (EaSI) (HomeLab, 2019[124]). The HERO project targeting Roma households in several Eastern European countries is funded by the European Parliament (HERO, n.d.[123]).

Rent subsidies that are paid either to social economy entities or their tenants can make social economy housing more affordable for low-income and vulnerable households. For instance, non-profit housing associations in Denmark receive a public subsidy to house social tenants and over time, these tenants repay around a quarter of their allowance (Noring, Struthers and Grydehøj, 2022[170]). In the Netherlands, one can receive a rental subsidy based on rent (maximum of around EUR 900 per month in 2025), income, age and household structure (Toeslagen, 2025[171]). In Poland, municipalities provide housing allowances to low-income residents, which allows co-operatives to have steady liquidity and fund the maintenance of their housing stock (Cooperative Housing International, 2020[88]). In Slovenia, the proposed transition to a cost-based rent for non-profit housing providers includes the use of a housing allowance to low-income households to compensate for a potential rent increase (OECD, 2023[81]).

Taxation measures for social economy housing entities can further enhance their financial sustainability. Social economy providers of cost-based social housing are exempt from corporate income tax in Austria and Denmark and under some conditions in Finland (Pittini, Turnbull and Yordanova, 2021[76]; Klien and Streicher, 2021[77]). In France, providers of new social housing (*bailleurs sociaux*), including social economy entities, benefit from a lower VAT rate and are exempt from property tax for between 15 and 30 years, depending on the energy and environmental performance of the building and other criteria (RT-RE-bâtiment, 2024[172]). Moreover, renovation initiatives undertaken by social housing providers, 53% of which are from the social economy, receive preferential tax treatment (Housing Europe, 2023[41]; OECD, 2024[40]). In Italy, housing co-operatives can deduct renovation expenses from their tax (Housing Europe, 2023[41]). Owners who confer their properties to SRAs for at least nine years in Wallonia (Belgium) are exempt from property tax and benefit from an annual tax reduction equal to 5% of the expenditure on renovation (UWAIS, 2024[60]; UWAIS, 2024[59]).

Partnerships and visibility could leverage the unique approach of the social economy to housing

Social economy organisations can be partners for public social housing programmes and initiatives targeting the most vulnerable households. Their ability to keep costs low combined with limited reliance on direct public support can help public authorities to reduce their housing spending. For instance, non-profit, limited profit or co-operative organisations provide 82% of social rental housing in the Netherlands, 61% in Austria, 53% in France, 33% in Denmark, 21% in Finland, 12% in Ireland, 10% in Poland, and 8% in Slovenia (OECD, 2024[40]). Moreover, since social economy housing providers tend to have broader eligibility criteria than public social housing programmes, such a partnership can facilitate local socio-economic diversity (Koessl, 2022[84]). Furthermore, in the HomeLab project in Eastern Europe, NGOs partnered with local governments to provide tailored support to vulnerable groups and helped them to identify and reach out to beneficiaries (European Social Fund Plus, 2022[125]).

Public authorities, including at local level, could initiate, drive and fund partnerships that include social economy housing entities. In Poland, the City of Wrocław's help with planning and bank partnerships built credibility for the *Nowe Żerniki* project (Habitat for Humanity Poland, n.d.[52]). The City of Gothenburg partnered with *Riksbyggen,* one of the two largest managers of co-operative housing in Sweden together with the private sector, researchers and residents to develop the concept of positive footprint housing (International Cooperative Alliance, 2020[173]). The Housing and Empowerment for Roma (HERO) pilot project is funded by the European Parliament and implemented by the European Commission and the Council of Europe Development Bank in partnership with public authorities, financial institutions and local social economy entities (Council of Europe Development Bank, 2023[174]). The Affordable Housing Initiative European Partnership is an EU-funded project that has supported multi-stakeholder initiatives, including social economy entities, in 22 districts across Europe with mentorship, financial advice and capacity-building for a just transition. The second phase of the project will go further than retrofitting and energy efficiency by focusing on resilience, liveability and circular economy practices (Affordable Housing Initiative European Partnership, n.d.[175]).

Improving the visibility of the social economy in housing can help drive partnerships with the public and private sectors and increase support. To achieve this, public authorities could actively communicate the scale and contributions of the social economy within the housing sector. Highlighting their innovative approaches and measurable impacts can raise awareness on the many ways the social economy is active in housing. For this strategy to work, it is important to systematically collect data on the number of social economy organisations involved in housing, the types of services they provide (such as construction, green initiatives, addressing homelessness and job creation), their reach within communities and the outcomes achieved. Additionally, gathering data on funding sources, collaboration efforts with the public and private sectors, and the financial sustainability of these initiatives can provide a clearer picture of their overall impact and identify areas for improvement. For instance, in the Netherlands, the Housing Associations Authority (*Autoriteit woningcorporaties (Aw)*) under the Ministry of Infrastructure and Water Management supervises housing associations and collects publicly available data on property characteristics, the value of rental units, financial performance and unit allocation (Inspectie Leefomgeving en Transport, n.d.[176]). In France, the National Agency for Social Housing Control (*Agence nationale de contrôle du logement social (ANCOLS*)) controls and evaluates social housing providers, including social economy entities, alongside publishing evaluations, studies and statistics on social housing (ANCOLS, n.d.[177]).This evidence-based approach can enable policymakers and stakeholders to make informed decisions, allocate resources more efficiently and enhance the role of the social economy in addressing housing needs.

Another avenue is to organise awards to allow social economy housing entities to showcase their innovative practices. For instance, Mas Coop in Beaumont-sur Lèze (France) has been awarded a 'NoWatt Building' label created by the Occitanie region for its low carbon footprint (World Habitat Awards, 2023[94]; Région Occitanie / Pyrénées-Méditerranée, 2018[178]). *La Borda* housing co-operative in Barcelona (Spain) has won the 2024 European Collective Housing Award jointly organised by the Basque Country Architecture Institute and the Basque Department of Territorial Planning, Housing and Transport for "being an outstanding example of collective housing development at all stages of the process" (European Collective Housing Award, n.d.[179]). Policymakers can also draw inspiration from awards organised by international organisations and associations such as the European Social Economy Awards, organised by Social Economy Europe, where housing was included in the "green transition" category in the 2023 edition, European Responsible Housing Awards organised by Housing Europe, and World Habitat Awards created by World Habitat in partnership with UN Habitat.

Main take-aways on the contribution of the social economy to housing

- **Social economy entities contribute to addressing housing challenges through inclusive practices, sustainable initiatives and innovative financial models.** In some countries, such as Austria, the Netherlands and Sweden, they represent a large share of the housing stock and increase the supply of affordable housing through renovating vacant properties, acting as intermediaries between landlords and tenants in need and constructing new buildings. Many charge cost-based rents or offer ownership options, ensuring long-term affordability. They often focus on vulnerable populations and promote social mixing, while contributing to the reduction of homelessness by providing both long-term and emergency housing solutions. Some social economy housing entities contribute to decarbonisation of the housing stock through adopting sustainable, inclusive and circular construction practices, as well as improving the energy efficiency of their buildings and using renewable energy.
- **Beyond housing provision, social economy organisations tend to offer a range of services related to housing that enhance individual and community well-being.** These include care services, financial education, employment support and legal advice, among others. Some initiatives also improve access to retail and foster social interactions through intergenerational housing and community spaces. Participatory governance is a common feature, allowing residents to influence decisions and fostering a strong sense of community, often resulting in better housing quality compared to public or private alternatives.
- **While their impact is positive, social economy housing entities face a number of challenges that limit their ability to scale affordable and sustainable housing solutions.** These include legal and regulatory barriers, lack of access to affordable land, difficulty balancing affordability with financial and environmental sustainability and, in some countries, limited long-term financing options.
- **Supportive policies can enable social economy housing entities to scale and help people to thrive, including in countries where they do not exist yet in significant numbers.** Enabling legal frameworks define the action scope of social economy housing entities, their operational modalities and available policy measures. Facilitating access to affordable land through allowing to use or leasing public land, zoning rules and land purchase loans can help expand the availability of affordable housing provided by the social economy, especially in urban areas where demand for it is the highest. Funding mechanisms, such as public loans, loan subsidies, guarantees and direct public funding alongside taxation measures that are in line with competition laws, can increase the amount of funding available to social economy housing entities for construction, renovation and green initiatives while maintaining the affordability of their housing offer. Strengthening partnerships with public authorities, financial institutions and the private sector, as well as increasing visibility can also help unlock the full potential of the social economy in delivering inclusive, affordable and sustainable housing solutions.

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Notes

[1] Mutual societies (observed commonly in western European and Nordic countries) are enterprises controlled by their members that provide insurance, social security, and small-scale social services. Their main goal is to meet shared needs, not to make profits or pay returns on capital. Governed by solidarity, members actively participate in decision-making and are the focus of accountability (European Commission, n.d.[180]).

[2] The decoupling of land from buildings also happens in a commercial context.

[3] The *organisme de foncier solidaire* was introduced by the 2014 loi ALUR (*Accès au Logement et un Urbanisme Rénové).* The 2018 Loi ELAN (*Évolution du Logement, de l'Aménagement et du Numérique*) clarified the operational framework for *organisme de foncier solidaire* and for *bail réel solidaire*.

[4] Services of general economic interest (SGEI) are "economic activities, such as transport networks and postal and social services, regarded by public authorities as being particularly important to citizens, and that would not be supplied (or would be supplied under different conditions) if there were no public intervention" …. According to the 2003 Altmark judgment of the Court of Justice of the European Union (CJEU), **public service compensation** does not constitute State aid when 4 cumulative conditions are met:

- the recipient service provider must have **clearly defined public service obligations**;
- the method for calculating the compensation must be **objective, transparent and set out in advance**;
- the compensation cannot exceed the **relevant costs and a reasonable profit**, i.e. no overcompensation; and
- the provider is either chosen through **a public procurement procedure** or the level of compensation is calculated based on an analysis of the costs of an **average 'well-run' business** in the sector concerned.

Where 1 or more of these conditions is not fulfilled, the public service compensation will be examined under State aid rules" (EUR-Lex, 2019[181]).

Part II Strengthening framework conditions for the social economy

3 Institutional arrangements across levels of government

Effective institutional arrangements across all levels of government are essential to unlock the full potential of the social economy in the EU. Clear frameworks and strong co-ordination enable public authorities to work more effectively with social economy actors, supporting inclusive and sustainable local development. This chapter explores how such institutional frameworks are structured in EU Member States, examining the roles and interactions of national, regional, and local authorities. It analyses competencies, responsibilities, and co-ordination mechanisms within and between levels of government, as well as engagement with social economy representatives. Drawing on diverse country examples, it identifies key patterns, challenges, and promising practices, and concludes with policy recommendations to clarify institutional arrangements and strengthen co-ordination mechanisms.

Introduction

The social economy spans multiple sectors, operating at the intersection of various social, economic, environmental and community interests. To develop, it requires strong policies, including clear legal frameworks, tailored funding and co-ordinated policy support across levels of government. Collaboration between local, regional, national, and EU-level institutions can create the conditions for growth by reducing overlaps, aligning goals, and embedding the social economy within broader economic and development strategies.

The social economy complements existing provision of services by filling gaps that the public and private sectors do not cover. Across EU countries, social economy entities deliver services in health, education, housing, social care, employment, renewable energy and circular economy, particularly recycling and waste management. Their adaptable, community-driven responses to local needs promote inclusive development and help reduce inequalities (OECD, 2022[1]). By reinvesting profits into social goals, they generate lasting benefits and strengthen both social cohesion and local economic resilience.

Institutional arrangements support the adoption of strategies, resource allocation, and policy support tailored to the specific needs of social economy entities. They support co-ordination among public authorities, civil society, and private stakeholders, promoting policy coherence and reducing duplicated or fragmented efforts. Additionally, institutional support at various levels can improve access to funding, capacity-building, and markets, thereby strengthening the resilience and impact of social economy entities (OECD, 2023[2]).

Clarifying institutional arrangements and designating specific authorities for social economy policy contribute positively to implementing better framework conditions for the social economy. A co-ordinated institutional framework that clarifies roles and responsibilities and facilitates dialogue among various national bodies is important for designing and implementing targeted policies and supportive measures. Clear institutional arrangements also enhance the integration of the social economy within public policy and across different sectors.

The social economy often works with different public authorities to advance strategic objectives. Building on strong community ties, organisations can help deliver public policies more effectively through place-based solutions. Their involvement also creates opportunities for institutional arrangements that improve co-ordination and co-operation across levels of government, guided by principles of inclusion, collaboration, transparency, and multi-stakeholder engagement.

The European Union's Social Economy Action Plan emphasises the need for co-ordination among Member States to strengthen social economy entities. It also aims to use the EU's Single Market and financial instruments to encourage intra-EU collaboration for effective cross-border operations. A significant moment was the informal meeting of European Ministers for the Social Economy in Paris in February 2022, attended by 23 ministers, highlighting the importance of integrating the social economy into EU policies for better support and development (Social Economy Europe, 2022[3]). Building on this momentum, the San Sebastián Manifesto (2023) and the Liège Roadmap (2024) reinforced the social economy's prominence in EU policymaking.

The social economy thrives on place-based approaches to social, economic and environmental challenges. Many initiatives originate within communities themselves, developed in response to social, economic, or environmental challenges. To pursue their social mission, social economy entities usually mobilise local networks and non-market resources such as volunteers and donations and adapt their activities to local priorities. Their local presence enables them to engage directly with communities and stakeholders on needs and priorities. Beyond creating and maintaining economic benefits within communities, social economy entities also promote social cohesion and participatory decision-making through their governance structures, thereby fostering citizen ownership and mutual accountability (OECD, 2020[4]).

While social economy policies need to reflect regional and local contexts, a clear national framework can facilitate public support. Several EU countries recognise the need to mainstream the social economy across sectors, through national policies (e.g. France, Poland, Portugal, Spain) (OECD, 2020[4]). Such a framework guides how resources from the national budget are allocated and encourages innovative approaches to complex social and economic challenges. It also provides a foundation for developing regional and local policies, while supporting the mapping and evaluation of key assets, including physical infrastructure, human capital, social networks, cultural resources, and community strengths such as resilience and capacity for innovation.

The mission-driven nature of the social economy has significant potential to reinforce local and regional development dynamics. It can catalyse territorial cohesion by bridging social divides, supporting marginalised communities, and fostering inclusive participation. Over the past several decades, most OECD countries have moved toward greater decentralisation. In approximately two-thirds of these countries, this shift has enhanced the economic significance of subnational governments (OECD, 2019[5]). As place-based solutions gain increasing importance and decentralisation advances, the social economy emerges as a tool which could create synergies across different levels of government.

Across the European Union, there is a growing trend toward enhancing regional and local governance, with regions typically responsible for broader strategic planning and coordination across multiple localities, and local authorities focusing on service delivery and community-level implementation, not only in federal or quasi-federal systems but also in countries where subnational authorities lack legislative competencies. This reflects a broader shift toward more responsive and place-based policymaking. This is also echoed in the European social economy regions (ESER) initiative, which brings together representatives from regions and cities to raise awareness and build networks for social economy stakeholders at regional and local levels (European Commission, n.d.[6]). Strengthening governance structures at the regional level helps national governments better manage overlaps between policy areas and design interventions that are more aligned with the unique characteristics of different places. As regions take on a more strategic role in the economic, social and territorial development of their areas, they can become pivotal partners in implementing targeted solutions to complex, cross-cutting challenges, to which many social economy entities contribute (OECD, 2022[7]).

Decentralisation, when implemented under conducive conditions, can support effective public sector management. A carefully designed distribution of competencies, responsibilities and resources from the central government to subnational authorities can help address place-based disparities and improve co-ordination across levels of government (OECD, 2019[5]). Designated institutions at different levels can link local social economy initiatives with broader regional and national development strategies, making it easier to replicate successful models and encourage innovation in delivering services.

Regional and local governance can be particularly relevant for the social economy given its local anchorage. Because these initiatives operate at the intersection of social, economic, and environmental objectives, they can benefit from co-ordination across different government levels. Regional and local authorities can create supportive environments through funding, regulation, and partnerships. When multi-level governance is well-aligned and flexible, it can help integrate social economy activities into regional development strategies while allowing local initiatives to respond to community needs.

Infographic 3.1. provides an overview of how institutional arrangements on social economy policy are structured across national, subnational and municipal levels in the EU member states.

Infographic 3.1. Institutionalising the social economy at every level of government

From national to local
Incorporating social economy policy at every level of government

Why is the social economy relevant for different levels of government?

NATIONAL

- Social economy **contributes to long term policy objectives** on inclusion, employment, sustainability and beyond
- Legal frameworks validate and increase **social economy entities' recognition and visibility**
- Policy can encourage social innovation to **drive social cohesion and enhance public welfare**

SUBNATIONAL

- Social economy entities contribute to **territorial cohesion by addressing regional inequalities**
- Subnational authorities allow for **better co-ordination among national and local** authorities and initiatives
- Regional frameworks help to **bridge national priorities with local needs**

MUNICIPAL

- The social economy is often **born out of local needs and local ambitions** to strengthen communities
- Social economy entities offer **place-based solutions to local challenges**
- The social economy builds on **community and grassroots resources**

How is social economy policy structured across levels of government in EU Member States?

NATIONAL ARRANGEMENTS

- **11 Member States** have both 1) a framework law or a specific act which defines the defining principles of the social economy, and 2) primary institution(s) overseeing social economy policy. Competence often lies within Ministries of Labour. In Belgium, competence and legal frameworks lie at regional level
- **7 Member States** have both 1) a definition of social enterprise and 2) a primary institution overseeing social enterprise or social entrepreneurship policy
- **8 Member States** lack clear legal and institutional frameworks around social economy

SUBNATIONAL ARRANGEMENTS

- **4 Member States** with legislative power at subnational level introduced legal frameworks or dedicated departments on the social economy
- In unitary member states with no legislative power at subnational level, countries often establish **regional structures (e.g. chambers, centres, development councils)** to support social economy policy

MUNICIPAL ARRANGEMENTS

- **Even in Member States where the national legal or institutional frameworks are absent**, cities can play an active role in supporting social economy entities through targeted programmes
- **City councils and municipalities** play an important role in providing funding, access to public markets and capacity building for social economy entities

How do public authorities co-operate and co-ordinate social economy policy?

with public authorities across different levels of government

13 member states have social and economic councils, working groups, special councils, committees or commissions covering the social economy

with representatives from the social economy

All member states host umbrella organisations for the social economy or its specific constituents such as chambers, unions, confederations, associations or networks

Advisory structures often combine the two groups

What are the main institutional arrangements for the social economy at national level?

Many EU-level initiatives focus on establishing conducive framework conditions for the social economy. The 2021 Social Economy Action Plan has put forward policies and programmes to support policymakers in building enabling ecosystems (European Commission, 2021[8]). Following the Action Plan, the 2023 Council Recommendation on developing social economy framework conditions recommends Member States to review their institutional and administrative set-ups to designate social economy co-ordinators in national public institutions.

The European Commission's drive to advance the social economy is also reflected at the international level. Internationally, various frameworks have been established to promote the growth of the social and solidarity economy in alignment with the EU Action Plan and the Council Recommendation. These include the OECD Recommendation on the Social and Solidarity Economy and Social Innovation adopted in 2022, the ILO Resolution "Concerning decent work and the social and solidarity economy", and the UN Resolution "Promoting the social and solidarity economy for sustainable development" adopted in 2024.

A clear mandate within national authorities is encouraged to monitor the implementation of the EU Council Recommendation on framework conditions. Such contact points at national level are essential not only to promote the growth of the social economy but also to align policies at national, regional and local level, while piloting and assessing policy progress at different levels of government. A clear set of responsibilities, complemented with sufficient financial and human resources, can contribute to effective co-ordination both across different levels of government and across different EU institutions (Council of the European Union, 2023[9]). To date, 11 Member States already have official definitions on the social economy, framework or specific legal frameworks to define its principles or characteristics, and a designated institution to hold social economy competence (i.e. Bulgaria, France, Greece, Italy, Luxembourg, Poland, Portugal, Romania, Slovak Republic, Slovenia and Spain). Countries with subnational legislative power such as Italy and Spain have laws at subnational level that can specify the scope of the social economy in the region. In Belgium, the definitions and legal frameworks are at regional level, while no nation-wide definition exists.

Dedicated social economy competence is often established at ministry level, either under a particular one or shared by multiple ministries. The Ministry of Labour (the competence can be broader in some Member States to include family, social affairs and other related policy areas) is the most common institution observed across the EU (in 14 Member States) to hold primary jurisdiction over social economy policy. In several Member States, this competence is also placed with or followed by ministries responsible for the economy. In other Member States where there is no direct competence of the Ministries, state employment agencies also provide indirect support to the social economy entities. Table 3.1 provides an overview of the national arrangements around the social economy in each Member State.

In Member States with a clear social economy policy mandate, there are often dedicated departments or directorates-general for the social economy under the relevant ministries. Examples include the Delegation on the social and solidarity economy and the Directorate General of the Treasury of the Ministry of Economy, Finance, Industrial and Digital Sovereignty in France, the Department of Social and Solidarity Economy under the Ministry of Labour in Luxembourg and the Social Economy Department under the Ministry of Labour, Social Affairs and Family of the Slovak Republic. In Spain, the General Directorate of Social Economy and Social Responsibility Companies and the Special Commissioner for the Social Economy sit under the Secretary of State for Social Economy under the Ministry of Labour and Social Economy.

Table 3.1. National arrangements on the social economy across EU Member States

Country	Official or working definition	Law on the social economy	Primary national authority(ies) involved
Austria	No	No	Multiple authorities are involved based on policy area
Belgium	Only regional	Only regional	Largely overseen by the two federal public services on employment and economy
Bulgaria	Yes	Yes	Ministry of Labour and Social Policy
Croatia	Only on social enterprise	No	Ministry of Labour, Pension System, Family and Social Policy
Cyprus	Only on social enterprise	Only on social enterprise	Authority of Co-operative Societies
Czechia	No	No	Ministry of Labour and Social Affairs
Denmark	Only on social enterprise	Only on social enterprise	Multiple authorities are involved based on policy area. The Danish Business Authority administers the registration of social enterprises.
Estonia	No	No	Multiple authorities are involved based on policy area.
Finland	Only on social enterprise	No (2003 Act on social enterprises repealed)	Ministry of Economic Affairs and Employment and the Ministry of Social Affairs and Health
France	Yes	Yes	Minister Delegate for Trade, Crafts, Small and Medium Enterprises and the Social and Solidarity Economy under the authority of the Ministry of the Economy, Finance and Industrial and Digital Sovereignty
Germany	Only on social enterprise	No	Multiple authorities are involved based on policy area. Commissioner for Social Innovation
Greece	Yes	Yes	Ministry of Social Cohesion and Family Affairs
Hungary	No	No	Multiple authorities are involved based on policy area.
Ireland	Only on social enterprise	No	Department of Rural and Community Development
Italy	Yes	Yes	Ministry of Labour and Social Policies
Latvia	Only on social enterprise	Only on social enterprise	Ministry of Welfare
Lithuania	No	No	Multiple authorities are involved based on policy area.
Luxembourg	Yes	Yes	Ministry of Labour
Malta	Only on social enterprise	Only on social enterprise	Multiple authorities are involved based on policy area.
Netherlands	Only on social enterprise	No	Multiple authorities are involved based on policy area.
Poland	Yes	Yes	Ministry of Family, Labour and Social Policy
Portugal	Yes	Yes	Ministry of Labour, Solidarity and Social Security
Romania	Yes	Yes	Ministry of Labour and Social Solidarity
Slovak Republic	Yes	Yes	Ministry of Labour, Social Affairs and Family
Slovenia	Yes	On social entrepreneurship	Ministry of Economy, Tourism and Sport
Spain	Yes	Yes	Ministry of Labour and Social Economy Special Commissioner for the Social Economy
Sweden	Yes (a concept exists)	No	Multiple authorities are involved based on policy area

Note: The primary authorities include those institutions with official or de-facto primary competence over social economy. In many Member States, other ministries and government agencies are involved in social economy development based on the policy area. Refer to the country notes in the addendum of this report to see all institutions involved in social economy policy and their specific responsibility area.
Source: Refer to the OECD country fact sheets on the social economy to read the official definition in each Member State (OECD, 2023[10]).

In Member States where the social economy is relatively more institutionalised (that is, where it has a formal recognition within the governmental and legal frameworks, dedicated strategies, clear regulatory structures, and established co-ordination mechanisms), additional offices could complement ministries in overseeing and co-ordinating social economy policy. These often include commissioners, state secretariats or other dedicated government offices to oversee and/or co-ordinate the social economy mandate in line with other policy areas and priorities. These dedicated offices play an important role in mainstreaming social economy across a wide range of government policies, which may fall under different ministries. In contexts where ministries tend to work in silos based on their particular mandate, these offices are helpful to promote a whole-of-government approach to social economy policy. Box 3.1 summarises such structures from the Member States.

Box 3.1. Dedicating special offices or authorities to the social economy or social innovation

The increasing importance of the social economy at the policy level has resulted in the emergence of dedicated public authorities responsible for social economy development. Such dedicated institutions could significantly contribute to increasing the visibility of the social economy, while aligning public policies with international frameworks (e.g. EU Council Recommendation on developing social economy framework conditions, OECD Recommendation on the social and solidarity economy and social innovation, UN Resolution for promoting the social and solidarity economy for sustainable development and ILO Resolution concerning decent work and the social and solidarity economy).

Dedicated governmental structures can foster collaboration and innovation across multiple policy areas and sectors, increase the participation and engagement of national social economy stakeholders, and signal the prioritisation of the social economy at the political level. Some EU Member States have appointed a special office or authority to the social economy or social innovation:

- **Germany:** A Commissioner for Social Innovation was appointed at the Federal Ministry of Research and Education in April 2022. The Commissioner is responsible for supporting social innovation development and chairs the International Advisory Council for Social Innovation, which convenes experts to advise the Federal Ministry on the implementation and further development of the German National Strategy for Social Innovation and Enterprises for the Common Good.
- **Spain:** Operating under the Ministry of Labour and Social Economy, the State Secretary for Social Economy is responsible for developing the national government's policy on the social economy and corporate social responsibility. Under the State Secretary, a Special Commissioner for the Social Economy is appointed to disseminate and promote policies and plans that transform value chains in the care and social economy sectors. The Commissioner also works to implement the Strategic Plan for Economic Recovery and Transformation (PERTE) for the Social Economy and Care.

Source: Refer to the country notes in the supporting material of this report for more details per country. (French Republic, 2025[11]) (Ministry of Labour and Social Economy, 2025[12]) (Federal Ministry of Education and Research, n.d.[13]).

In countries with no comprehensive social economy framework, there is often a dedicated focus on social enterprise or social entrepreneurship policy. There are 7 Member States that already introduced either definitions and/or strategies on social enterprises or social entrepreneurship, which are overseen by designated institutions (i.e. Cyprus, Denmark, Finland, Germany, Ireland, Latvia, Malta). When policy focuses on social enterprises or social entrepreneurship, institutions and agencies around business, economy and innovation could be more involved.

At the national level, governments can allocate portions of their budgets to create an enabling environment for the social economy, including through legal recognition, financial support programmes, capacity-building, and nationwide social enterprise schemes. National budgets may fund dedicated ministries, commissioners, or agencies tasked with co-ordinating social economy policy. These funds can be used to provide grants, low-interest loans, or equity funding for social enterprises, support national social procurement policies, and invest in research, monitoring, and evaluation of social impact. By allocating national resources strategically, governments can facilitate access to finance across regions, create economies of scale for national programs, and stimulate cross-sectoral partnerships that strengthen the social economy ecosystem.

What are the roles of subnational authorities in supporting the social economy?

Subnational frameworks for the social economy play an important role in reflecting national policy priorities into local contexts. They promote policies that are based on local realities and needs to support the development of the social economy. The EU Council Recommendation on developing framework conditions for the social economy underlines the importance of acknowledging the core principles and the scope of the social economy across national, regional and local laws and practices (Council of the European Union, 2023[9]).

Such regional arrangements are particularly prominent in Member States with legislative competences at subnational level (European Committee of the Regions, n.d.[14]). Across the EU, four Member States have examples of designated social economy institutions and legal frameworks at regional level: Belgium, Italy, Portugal and Spain. Regional assemblies can legislate on the social economy, and there could be dedicated ministries or departments responsible for social economy policy at subnational level. Box 3.2 presents an overview of the available legislative competence on the social economy across EU Member States.

Box 3.2. Legislating on the social economy at subnational level

Developed institutional and legal frameworks at subnational level can help base social economy policies on regional strengths and needs. The power to legislate on the social economy at subnational level can be especially useful in federal and highly decentralised states where social economy national frameworks and policies are implemented through a multi-level governance approach.

- **Belgium:** Social economy is mostly overseen at regional level while the federal government holds a supporting role. Regions can enact their own social economy legislation and strategies such as the Ordinance of 23 July 2018 on the approval and support of social enterprises (Brussels-capital region), the Flemish Social Economy Act (Flanders) and the Social Economy Framework Decree (Wallonia). In addition, there are dedicated councils on the social economy or social enterprises such as the Advisory Council for Social Entrepreneurship (Brussels-Capital Region). In Flanders and Wallonia, social economy councils operate under broader Social and Economic Councils such as the Committee on Social Economy (Flanders) and the Walloon Council of the Social Economy (Wallonia).
- **Italy:** Several regions have enacted their own social economy legislation (e.g. Emilia-Romagna, Friuli Venezia Giulia and Trentino). Other regions have approved legislation indirectly including social economy entities such as the Law on Social Agriculture in Umbria, integrating social and solidarity economy principles into rural development. Italian regions with social economy legislation often adopt their own social economy strategies. Social economy advisory bodies are also present at the subnational level such as the Round Table for the Solidarity Economy in Trentino.
- **Spain:** Regions can enact social economy legislation. To date, Aragón, Canary Islands, Galicia and La Rioja have enacted their own social economy laws. Social economy is also promoted through regional plans (e.g Castile and León, Castilla-La Mancha) and funding support (e.g. Support Fund for Aragonese Social Economy Companies).

Source: Refer to the country notes in the supporting material of this report for more details per country.

Subnational institutional arrangements for the social economy can also be established in unitary countries or in countries where regions do not hold legislative autonomy. In such cases, regional structures show variation across Member States depending on the level of maturity of their social economy policy and ecosystem. Notwithstanding, many Member States are introducing authorities at subnational level to help national social economy policy translate into the regional context and target local needs more effectively. These structures could come in the form of regional governments, regional chambers, centres, social economy unions, regional assemblies, and so on. Table 3.2 provides an overview of the various regional structures overseeing social economy in Member States where there is a clear policy emphasis on the social economy at subnational level.

Table 3.2. Overseeing social economy policy at subnational level: Examples from EU Member States

Country	Subnational legislative powers	Regional authority dedicated to the social economy	Competence
Belgium	Yes	**Brussels-Capital Region** ▪ Brussels Economy and Employment (Regional Public Service) ▪ Ministry of Employment and Vocational Training ▪ State Secretariat for Economic Transition and Scientific Research **Flanders** ▪ Department of Work, Economy, Science, Innovation and Social Economy (WEWIS) **Wallonia** ▪ Wallonia Public Service: Economy, Employment and Research (SPW EER)	Regions in Belgium have full competence over the social economy including legislation.
Bulgaria	No	▪ Regional centres for the social economy in Plovdiv, Lovech, Varna, Burgas, Blagoevgrad, and Gabrovo	The regional centres have been set up to support and modernise the creation of social economy entities. They also work to promote the creation of networks, capacity building and partnerships to include social economy entities in the social and civil dialogue with state institutions, local authorities and local communities.
France	No	▪ Regional councils ▪ Regional Chambers of Social and Solidarity Economy (CRESS)	Regions can set strategies on the social economy and provide funding support. Regional chambers represent social economy actors and support the development of conducive policy measures.
Greece	No	▪ Regional Social and Solidarity Economy Unions	Regional unions have operational competence, working to bridge national policy directives through localised implementation.
Ireland	No	▪ Regional assemblies ▪ Regional authority for the economic, social and cultural development of the Gaeltacht (*Údarás na Gaeltachta*) ▪ Western Development Commission under the Department of Rural and Community Development	Regional Assemblies incorporate social economy objectives into Regional Spatial and Economic Strategies. *Údarás na Gaeltachta* launched a Social Enterprise Development Strategy along with other supportive initiatives. The Western Development Commission launched a survey to collect social enterprise data in the region to inform policy.
Italy	Yes	Regional governments and assemblies, including: ▪ Emilia-Romagna ▪ Friuli Venezia Giulia ▪ Trentino	Regions can introduce legal frameworks on the social economy and implement strategic frameworks and other targeted initiatives and programmes including funding.
Poland	No	▪ Voivodeships Offices and Regional Social	Regional Social Policy Centres co-ordinate the

		Policy Centres ○ Social Economy Support Centres (OWES)	implementation of social policy, including social economy at the voivodeship level. Social Economy Support Centres are the primary institutional support mechanism at regional and local level. Marshal's Offices have competences in the implementation of regional programmes through EU funds.
Portugal	Yes	Regional governments in the Autonomous Regions: ▪ **Azores**: Regional Directorate for Social Solidarity ▪ **Madeira**: Regional government	Autonomous Regions can adopt regional legislation. The Regional Directorate for Social Solidarity in the Azores co-finances activities by co-operatives and social solidarity institutions as well as supporting social innovation. The Madeira regional government supports co-operatives and mutual associations through funding.
Slovak Republic	No	Regional Social Economy Centres in the self-governing regions	Regional Social Economy Centres facilitate regional-level support including funding, capacity-building, and networking for social economy entities.
Spain	Yes	Governments of autonomous communities and their relevant departments and directorate generals working on the social economy, for example: ▪ Department of Economy, Employment and Industry under the Government of Aragon ▪ Directorate General of Social and Solidarity Economy and Co-operatives Under the Government of Catalonia	The autonomous communities have full legal powers on the social economy. Aragon, Canary Islands, Galicia and La Rioja already have framework laws on the social economy. Autonomous communities can provide different support mechanisms including funding to support social economy development.

Source: Refer to the country notes in the supporting material of this report for more details per country.

Subnational authorities can engage in policy areas related to the social economy even without an explicit mandate. In the majority of Member States, subnational structures dedicated to the social economy are not established, while regional authorities and agencies with mandates on socio-economic development can occasionally provide support to social economy and social innovation. For example, in upper Austria, the state government provides support to social organisations and commercial enterprises working on the inclusion of people with disabilities through a prize, which recognises and rewards innovative projects, raises public awareness of best practices, and encourages the replication of successful initiatives across the region. In Romania, the Iași County and Bucharest-Ilfov regions develop partnerships with the social economy entities under projects aimed to help people at risk of exclusion. Regions can also incorporate social innovation, social entrepreneurship, and civil society collaboration within their regional development strategies such as Skåne, Västra Götaland, Jönköping County and Östergötland in Sweden.

National frameworks often precede subnational frameworks for the social economy across EU Member States. Belgium is the only exception to this as there is no national framework for the social economy, while social economy competence falls under regional jurisdictions. In other Member States with legislative powers at subnational level, Italy and Spain have regional laws on the social economy, while Portugal shows examples of regional support mechanisms.

In Member States without legislative powers at the subnational level, various regional authorities can collaborate with the national government to co-ordinate and support social economy policies. In unitary countries with higher degrees of decentralisation, regions can introduce their own social economy strategies (such as regions in France). Member States can also establish or collaborate with regional chambers or social economy centres to bridge national policy priorities with local implementation (e.g. Regional Chambers of Social and Solidarity Economy (France), Regional Social and Solidarity Economy Unions (Greece), Social Economy Support Centres (Poland) and Regional Social Economy Centres (Slovak Republic)).

Regional strategies for the social economy in the EU complement national frameworks by adapting broad objectives to local needs and contexts. For instance, in Spain, while the national strategy sets out legal recognition and general support mechanisms for social economy entities, the Basque Country developed its own regional strategy focusing on sector-specific support, local networks, and training programmes tailored to regional strengths. Similarly, in France, regional authorities implement programmes that link social economy development to local employment and territorial cohesion priorities, translating national policies into actionable, place-based initiatives. In Poland, the Mazovia region aligned its regional social economy programmes with national objectives but emphasised partnerships with local actors and integration with regional development plans. These examples illustrate how regional strategies make social economy policies more operational and context-sensitive, while reinforcing and complementing national-level goals (OECD, 2020[4]).

Regional or subnational authorities can complement national funding by tailoring budget allocations to local contexts and priorities. In federated or quasi-federal systems, regions often have control over economic development, employment, or social inclusion programmes, allowing them to invest in social economy initiatives aligned with regional development goals. For example, regions can implement social economy programmes that leverage both regional and EU structural funds to support training, innovation, and sectoral development. Regional budgets can fund regional social economy centres, networks, incubators, and regional procurement schemes, aiming for social economy initiatives to respond to local assets, labour market needs, and demographic challenges. By aligning regional funding with national frameworks, subnational governments can act as bridges between local actors and national policy objectives.

What are the competences of municipalities to foster social economy in places?

Social economy entities are inherently place-based, emerging directly from the communities they serve. Their embeddedness within local contexts enables them to develop tailored responses to pressing issues such as social exclusion, unemployment, and environmental degradation, often in close collaboration with municipalities.

Municipalities are often uniquely positioned to support and scale the social economy, even in the absence of comprehensive national policy frameworks. As the closest level of government to citizens, local authorities are often the first institutions that residents approach for support with critical needs, ranging from housing and education to healthcare and social services. This proximity provides municipalities with a nuanced understanding of local challenges, making them natural allies to social economy actors that operate on the ground. By enabling, supporting, and investing in these community-driven initiatives, cities cultivate inclusive and responsive ecosystems that strengthen social cohesion, promote innovative solutions, and foster active citizen participation.

In Member States with developed multi-level institutional arrangements on the social economy, municipalities and city councils play a significant role in reflecting national policy priorities in the local context. They may also be supported by other special local agencies on employment, business, investment or development. In some Member States, some local government roles could oversee social economy initiatives (e.g. deputy mayors or executives in France and Portugal), while in others there could be dedicated departments within municipalities to co-ordinate collaboration with the social economy (e.g. community and economic development units in Ireland, third sector liaison offices in Italy). Box 3.3 provides examples from Member States where particular structures collaborate with regional and/or national authorities on implementing social economy policy priorities in the local context.

Box 3.3. Supporting the social economy where it grows

Social economy priorities are anchored in national plans and strategies that can be further developed at the municipal level. Local governments adapt national priorities into local actions to promote alignment with the existing local needs and particularities.

- **France:** Municipalities can actively support social economy initiatives with many deputy mayors overseeing social economy portfolios. The city of Paris fosters several activities focused on the social economy such as the *Start in ESS'* and the *House of Solidarity and Innovative Economies*, aiming to promote social economy development. Lyon supports social enterprise creation through educational programmes and funding programmes in collaboration with third entities (e.g. Foundation to Support Social Innovation). Other municipalities such as Nantes or Grenoble prioritise social economy in their local development plans.
- **Greece:** Local authorities target the provision of physical spaces and infrastructure as well as increased awareness and capacity for social economy entities. Municipalities promote social economy initiatives through specific projects (e.g. municipal social entrepreneurship market in Kypseli, Athens). Other local entities which involve local authorities can also introduce initiatives to promote social cohesion and solidarity (e.g. the Development Agency of Karditsa).
- **Ireland:** Local authorities include social enterprises to recognise them as key actors in local development, economic growth, and social inclusion in their Local Economic and Community Plans, which are carried out by Community and Economic Development units. Other local bodies, like Local Development Companies (LDCs) and Local Enterprise Offices (LEOs), may also provide support to social enterprises. City councils can introduce dedicated initiatives for social enterprises (e.g. Social Enterprise Grant Scheme in Dublin; funding programmes in Cork and Limerick).
- **Italy**: Italian municipalities can have Third Sector Liaison Offices to co-ordinate with third sector organisations particularly around service delivery. Some municipalities may create their own departments to co-ordinate social economy development (e.g. Rome's Social Policies Department's Autopromozione Sociale Unit and Bologna's International Relations Department). In addition, municipalities develop their own local departmental initiatives focused on the social economy. For example, Bologna created *Salus Space,* a space dedicated to workshops and trainings on sustainability and social innovation. The city has also hosted events such as the Social Innovation Lab 2022. The municipality of Torino fosters the network Torino Social Impact, which develops their own social economy activities (e.g. municipal exchange visits, networking and knowledge sharing).
- **Portugal:** Portuguese municipalities are active in the promotion of the social economy through *câmaras municipais.* Several city councils have developed local strategies focused on social innovation and inclusive development (e.g. Braga, Coimbra, Lisbon and Porto). Some municipalities have started their own activities to support social economy entities (e.g. Social Innovation Lab in Lisbon and dedicated municipal funds in the City of Porto). Local authorities collaborate with local institutions in the design and implementation of EU funded programmes (e.g. Food Corridors (URBACT III) in Coimbra; Human Power Hub in Braga and CityLoops in Porto).
- **Slovak Republic:** Municipalities can integrate social economy principles into their local development plans (e.g. Bratislava 2030, focusing on creating inclusive communities; Košice 2020 Development Strategy, aiming to foster a better ecosystem for social enterprises). Local authorities also fund social economy projects through municipal grants (e.g. Bratislava) or include social clauses in public procurement to favour social economy entities (e.g. Košice and

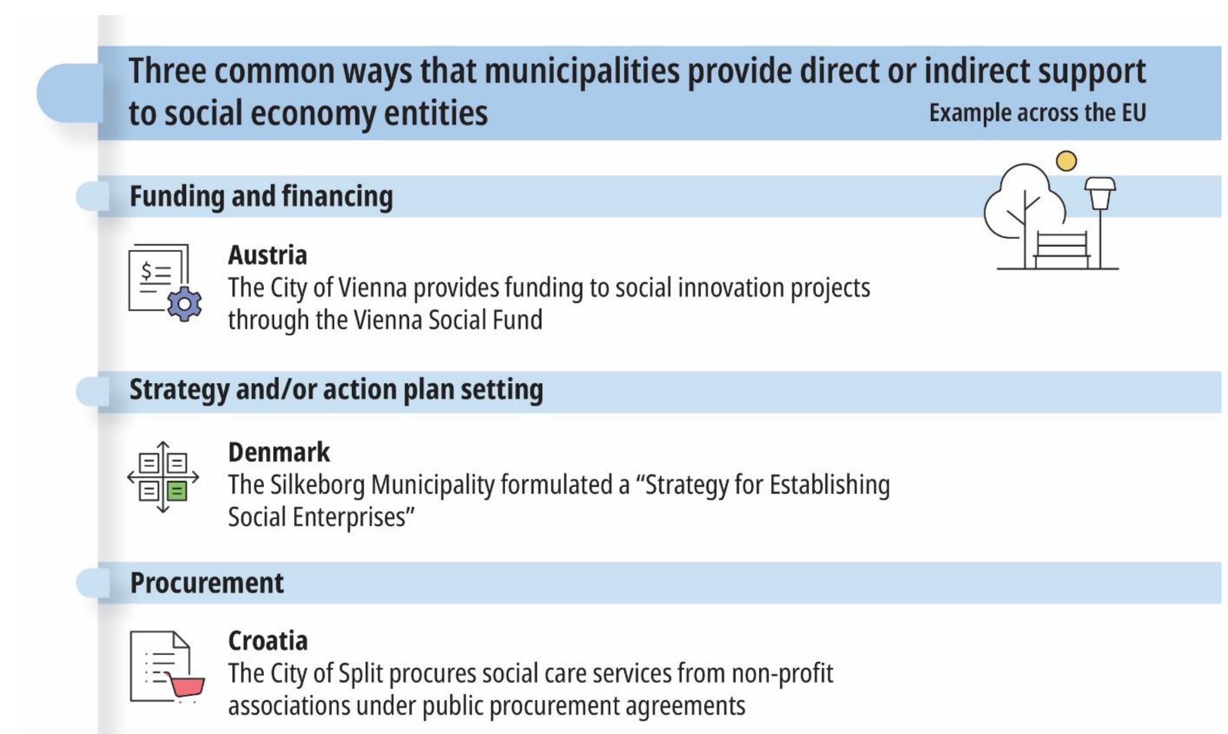
Bratislava). Slovak municipalities also support social entrepreneurship through mentoring and networking services (Bratislava and Košice) or through the creation of municipal social enterprises (e.g. Raslavice).

- **Spain:** City and provincial councils can have their own social economy programmes (e.g. the Barcelona City Council (*L'Ajuntament de Barcelona*); Madrid City Council (*Ayuntamiento de Madrid*); Provincial Council of Valencia (*Diputación de Valencia*). City councils can also fund specific projects and actions focused on the social economy (e.g. Catalonia municipalities include social clauses in public procurement contracts and allow the transfer of public land). Furthermore, the Ministry of Labour and Social Economy promotes social economy activities at the local level through the "Spanish capital of the social economy" initiative.

Source: Refer to the country notes in the supporting material of this report for more details per country.

Competence of municipal authorities on the social economy is largely delivered through direct or indirect support. In a survey circulated by the OECD in 2024 among policymakers and social economy representatives[1], *funding and financing* emerged as the most prominent type of municipal competence over social economy entities. Funding or financial support is provided either explicitly for social economy entities or indirectly through non-governmental organisations and non-profits which may overlap with some social economy entities. This is followed by *strategy and/or action plan setting* whereby local authorities can incorporate social economy elements into their local development strategies. Another common type of competence included *procurement.* Many municipalities across the EU already demonstrate examples of socially responsible public procurement and procuring services from social economy entities. Infographic 3.2. presents an overview of how most municipalities provide direct or indirect support to social economy entities.

Infographic 3.2. How do municipalities and local authorities support social economy development?



While most municipalities across EU Member States do not have dedicated offices, there is a strong bottom-up momentum for the social economy, innovation and entrepreneurship development. In Denmark, the municipality of Silkeborg formulated a "Strategy for Establishing Social Enterprises in Silkeborg" to increase the number of social enterprises and jobs for vulnerable people (Nielsen and Hulgård, 2019[15]). In the Netherlands, for example, cities like Amsterdam and Rotterdam introduced programmes to support social enterprise development and social procurement despite a lack of a dedicated national framework (e.g. The "Amsterdam Impact" programme, the "CityLab010" support programme from Rotterdam). Table 3.3 provides an overview of the roles of municipalities and other local authorities from Member States in supporting social economy development with examples.

Municipalities and local authorities are often closest to communities and can deploy budgetary resources in a highly targeted way to stimulate social economy activity. Local budgets can support small-scale grants, capacity-building initiatives, mentorship programmes, and social procurement schemes that favour local social enterprises. Local authorities can also fund partnerships between social enterprises and public services, co-fund community-led projects, and integrate social economy objectives into local economic plans. By strategically using municipal budgets, local governments can encourage innovation, enhance social inclusion, and create tangible impact at the community level, while complementing regional and national efforts.

Table 3.3. What municipalities do to support the social economy in EU Member States

Country	How is the social economy supported at municipal level?	Example
Austria	Municipalities do not provide support through dedicated structures, while they can implement programmes related to social innovation and inclusion to promote similar initiatives. The associations representing municipalities can also include technical committees and opportunities for exchange for innovative measures.	▪ The City of Vienna provides funding support to social innovation projects through dedicated calls via the Vienna Social Fund. ▪ The Austrian Association of Cities and Towns can foster exchange of experience around innovative practices for towns and communities.
Belgium	Jurisdiction largely falls with regional authorities but local authorities can receive support from regional authorities for social economy projects. Municipalities and special agencies may put in place social economy initiatives in their localities to address unmet needs and promote the local channels of larger initiatives.	▪ The Brussels Agency for Entrepreneurship has developed the Coopcity project, funded by the EU, to support and provide trainings on social entrepreneurship.
Bulgaria	Municipalities can collaborate with the regional centres to support social economy development. They can jointly implement programmes to support social economy actors in their districts. Municipal councils can also decide to provide funding support to social economy entities. They can also support visibility and networking events.	▪ The municipal council of Varna approved a proposal to create a fund to support social enterprises. ▪ In 2024, the Regional Centre for Social Economy Development in Gabrovo, together with the Municipality of Sevlievo, organised a two-day presentation of social enterprises from the North Central Region.
Croatia	There is little municipal engagement to support the activities of social economy actors. Procurement could be one channel where municipalities engage with social economy actors. They are prescribed to provide procurement, funding and co-financing support especially to non-profit associations working in social care services.	▪ The City of Split enters into procurement contracts with non-profit associations for social care services including home assistance and care, legal and psychosocial help for victims of violence, temporary accommodation of homeless people and more.
Cyprus	There is very limited to no municipal competence over social economy development.	
Czechia	Municipalities can be active in supporting social enterprise development through dedicated programmes, funding and procurement.	▪ The City of Prague implements projects, in collaboration with the EU, to support social enterprises through subsidies and trainings. ▪ Towns such as Most, Jičín, Děčín and Kadaň are active in responsible public procurement.
Denmark	Municipalities have large competence and can directly or indirectly support social economy and social enterprise development. They can establish funding and support schemes and include social enterprises in their strategies and programming. Municipal governments can also establish dedicated structures for social	▪ The Silkeborg Municipality formulated a "Strategy for Establishing Social Enterprises". ▪ The Municipality of Ikast-Brande introduced the strategy "Vision Vestergade" to connect private and municipal efforts for social economy jobs and a more

	investments.	inclusive labour market. ▪ In Aarhus, the municipal government established the Council for Social Investments to promote social investments in Aarhus.
Estonia	While jurisdiction largely falls with national authorities, municipalities can run initiatives to encourage social economy activity through specific projects and initiatives such as social hackathons.	
Finland	Despite limited legislative competence and generally strong local self-government, social economy policy is not prominent at the municipal level. National bodies and centres such as the Centre of Expertise for Social Enterprises operate locally.	
France	Municipalities can actively provide support to social economy through funding, co-ordination, procurement, capacity building, awareness raising and more. A significant number of deputy mayors oversee social economy related matters.	▪ The City of Paris supports social economy through targeted initiatives such as the House of Solidarity and Innovative Economies, the Paris Initiative Enterprise and Start'in ESS' projects to provide funding and scaling support to social economy entities. ▪ The City of Lyon provides funding to social economy entities through specific projects.
Germany	Given the federal nature of the country, Berlin, Bremen, and Hamburg are city-states where the regional and local levels are unified within a single governmental authority. Local authorities can implement notable regional and local strategies on social economy activity and especially on social innovation.	▪ The Berlin Senate Department for Economics, Energy and Public Enterprises co-ordinates many social entrepreneurship and social innovation projects including “Berlin Social Enterprises Award”, “Social Economy Berlin”, and “Social Innovation Capital Berlin”.
Greece	Local initiatives target the development of physical spaces and infrastructure to support awareness, capacity and networking for social economy entities. One key responsibility of municipalities around which many activities of social economy entities are relevant is the focus on social cohesion and solidarity. Special bodies such as the Development Agency of Karditsa can also implement projects on social economy.	▪ Managed by the Municipality of Athens and Impact Hub Greece, the Municipal Market in Kypseli, Athens, is the first exclusively social entrepreneurship market in Greece.
Hungary	There is limited evidence of the competence of municipalities to support social economy. Many municipalities benefit from the activities of Local Action Groups which operate regionally to support local development. Local governments can also delegate social service delivery to NGOs under public procurement agreements.	▪ The Municipality of Alsómocsolád developed a smart village strategy, which included the establishment of social co-operatives as a key feature of community-driven economic development.
Ireland	In Ireland, there is no single designated body overseeing social economy policy at the local level, but city councils play a key role in supporting social enterprises. Local authorities integrate social enterprises into Local Economic and Community Plans and these are implemented through Community and Economic Development units. Additional local structures such as Local Development Companies and Local Enterprise Offices may also offer support to social enterprises.	▪ Dublin City Council has a Social Enterprise Grant and Award Scheme, established by Inner City Enterprise (ICE) and Dublin City Council with the support of the Local Enterprise Office Dublin City. ▪ Cork City Council and Limerick City and County Council support social enterprises through tailored funding and networking opportunities.
Italy	Municipalities operate Third Sector Liaison Offices to co-ordinate with third sector organisations on service delivery and several municipalities have proactively established strategies or departments, or collaborated with local organisations, to promote social economy initiatives. City councils can also have similar initiatives.	▪ Rome’s Social Policies Department’s Autopromozione Sociale Unit and Bologna’s International Relations Department can co-ordinate social economy activities. Alongside these, some Italian city councils have initiatives, such as in the Lazio and Emilia-Romagna regions.
Latvia	The Social Enterprise Law allows local governments to design and introduce local support instruments. These can include a lower immovable property tax rate, free use of municipal property, special financial support schemes, and privileged public procurement procedures.	▪ In 2016, the City of Riga’s local government initiated, funded and implemented a grant programme for work integration social enterprises to promote the employment of people at risk of exclusion.
Lithuania	Municipalities in Lithuania are granted increasing autonomy to deliver specific social services for which social economy entities can be important providers. They can also provide funding and business development support to social enterprises through EU programmes.	▪ The northern municipality of Rokiškis has implemented the project “RE:IMPACT” focused on strengthening the capacity of social enterprises in collaboration with the local authorities of Zemgale (Latvia).
Luxembourg	Municipalities can support social economy development as part of their mandate on promoting social welfare and economic	▪ The capital city of Luxembourg developed a Social Development Framework Plan in concert with the

	development.	Department of Social and Solidarity Economy at the national level shape the social enterprise ecosystem locally.
Malta	Malta's local councils have limited to no competence over social economy development.	
Netherlands	Municipalities play an active role in promoting the social economy through dedicated support programmes, local procurement strategies, and partnerships with social enterprises. Local governments can initiate their own roadmaps and action plans on social economy and social entrepreneurship as well as targeted support mechanisms. They can also provide support to social enterprises through dedicated agencies and funds as well as socially responsible public procurement.	▪ Amsterdam Impact, an initiative by the City of Amsterdam, aims to strengthen the ecosystem for all companies that tackle societal challenges through entrepreneurship. ▪ Voor Goed is Rotterdam's social impact agency, launched in 2020 to strengthen the city's impact economy by supporting social enterprises and fostering cross-sector collaboration.
Poland	Many municipalities collaborate with Social Economy Support Centres (OWES), implement local strategies for social inclusion, and use public procurement with social clauses to support social enterprises.	▪ The City of Poznań has partnered with Barka and received the accreditation from the Ministry of Family Affairs, Labour and Social Policy to enable the Wielkopolska Centre for Solidary Economy (OWES – WCES) in the Poznań subregion. ▪ The region of Koszalin in the West Pomeranian Voivodeship set up the "SZOWES – OWES in the Koszalin region" project involving the city of Koszalin and several surrounding municipalities.
Portugal	The local level governance comprises municipalities and parishes. Portuguese municipalities are involved in the promotion and development of social economy. Municipalities operate through municipal departments for social development, employment, or economic innovation, which collaborate with local social economy entities.	▪ Lisbon City Council has been active in supporting social innovation ecosystems, including initiatives like Lisboa Innovation, Lisboa Innovation for All and the Social Innovation Lab. ▪ Porto supports social economy organisations through dedicated municipal funds, entrepreneurship hubs, and partnerships with local NGOs and co-operatives.
Romania	At county and Bucharest level respectively, the county employment agencies and the Bucharest Employment Agency issue the social enterprise attestation, which recognises the status of social enterprise. Local public administration authorities may also offer certain facilities to social insertion enterprises. In some cases, local authorities may allocate specific funds in their budgets to support these facilities. Some municipalities can also support social innovation through partnerships, incubators, or municipal funding programs.	▪ Employment agencies, in collaboration with certified social enterprises and local and county public social assistance services, develop a County Socio-Professional Insertion Plan. ▪ Some municipalities, such as Cluj-Napoca and Timișoara, have initiatives in supporting social innovation and entrepreneurship.
Slovak Republic	Municipalities and city councils in the Slovak Republic have a role in strategy and action plan setting at the local level. Local authorities also engage in financing and funding social economy projects. Municipalities also provide advisory and capacity-building support to local social enterprises. Municipalities are also active in the establishment of their own social enterprises.	▪ Bratislava works with organisations such as the Slovak Business Agency to provide consulting and mentoring services to local social entrepreneurs, helping them develop business plans and access to funding. ▪ In Košice, the city council has integrated social economy objectives into its Košice 2020 Development Strategy, aiming to foster a local ecosystem where social enterprises can thrive. ▪ The Municipality of Raslavice has been active in establishing municipal social enterprises.
Slovenia	The Social Entrepreneurship Act gives jurisdiction to municipalities on the social economy. They can therefore develop local strategies to promote the social economy. Municipalities can also provide financial and non-financial resources to social economy entities. However, there is limited engagement by municipalities to practically implement these measures.	▪ Some larger cities, such as Ljubljana and Maribor, actively engage in promoting social entrepreneurship through dedicated university initiatives.
Spain	Cities play an important role in promoting the social and solidarity economy in Spain. In fact, the Ministry of Labour and Social Economy started the "Spanish capital of the social economy". City and provincial councils can have dedicated programmes to foster the social economy while not all councils do so. Their councils of economy and employment, departments of innovation and local development, business advisory offices or local development agencies can implement these programmes depending on the context.	▪ The Barcelona City Council (L'Ajuntament de Barcelona), the Madrid City Council (Ayuntamiento de Madrid) and the Provincial Council of Valencia (Diputación de Valencia) have dedicated programmes on the social economy. ▪ The municipalities in Catalonia provide financial support through issuing instructions on responsible public procurement and inclusion of social clauses to favour social economy entities and social enterprises.

			They can also transfer public land for the construction of co-operative housing.
Sweden	Municipal institutions do not have a dedicated mandate for the social economy while some municipalities are very active especially in social investments.	▪	The Gothenburg Business Region and Uppsala Municipality provide support to the regional branches of Microfund (Mikrofonden), Microfund West and Microfund Uppsala. Microfund is a venture capital co-operative for the civil society and co-operative sector.

Source: Refer to the country notes in the supporting material of this report for more details per country.

What are the mechanisms to facilitate co-operation to co-create social economy policy?

The social economy intersects with a wide range of policy areas, including social inclusion, well-being, employment, resilience, community cohesion, and environmental sustainability. As such, social economy policy is of relevance to multiple public authorities and government ministries/agencies. To promote coherent and effective policymaking, co-ordination structures are needed to facilitate collaboration across different public authorities, levels of government, and social economy stakeholders. Such co-ordination is particularly important because the successful local implementation of national priorities depends on strong alignment and communication between national, regional, and local actors.

Building synergies across levels of government

Member States establish dedicated structures, such as councils, committees, working groups, or commissions, to oversee and support the development of social economy policy. In many cases, existing national bodies like social and economic councils can also take on a role in addressing social economy topics. These structures often serve as platforms that bring together various public authorities as well as social economy representatives to facilitate better co-ordination and coherence in the design and implementation of social economy policies.

Many Member States (13 out of 27) have established co-ordination bodies that are either explicitly dedicated to the social economy or consist of social and economic councils overseeing social economy policy. Member States with established national frameworks on the social economy also often dedicate specific co-ordination structures (i.e. France, Italy, Latvia, Poland, Portugal, Slovak Republic, Slovenia, Spain and Romania). In Belgium, Bulgaria and Luxembourg, economic and social councils co-ordinate topics related to the social economy. Their members are often appointed to represent different stakeholders and groups, including employers, workers, producers, social welfare providers and so on. Box 3.4 provides an overview of such dedicated structures from Member States.

Co-ordination structures can also have regional branches in different places. In Belgium, regions have their own economic and social councils, while Wallonia has a Council of the Social Economy (CWES) under the Economic, Social and Environmental Council. In France, *Réseau des collectivités Territoriales pour une Économie Solidaire* (RTES) is a network of local authorities including regional councils, departmental councils, intermunicipal authorities and municipalities. It serves as a platform for exchange and co-ordination to develop the social economy in regions. In Italy, regional round tables can be dedicated to the social economy such as the Round Table for the Solidarity Economy, which advises the provincial council of Autonomous Province of Trentino. In Spain, regional governments can also establish their own co-operation structures such as the Regional Council of Social Economy of Castilla-La Mancha.

Box 3.4. Co-ordinating social economy policy across levels of government

Member States can create national bodies and structures to co-ordinate social economy policy. The creation of these type of bodies helps to align policy development across different ministries and levels of government.

- **France:** At the national level, the ***Higher Council for the SSE (CSESS)***, chaired by the Ministry in charge of the social and solidarity economy, provides co-operation and dialogue between national authorities and social economy actors. It gathers national and local public authorities, social economy representatives, networks of local actors, employee and employer unions. At the regional level, the ***Réseau des collectivités Territoriales pour une Économie Solidaire (RTES)*** is a platform for exchange and co-ordination between local authorities interested in the development of the social economy.
- **Italy:** ***The National Third Sector Council*** is chaired by the Ministry of Labor and Social Policies to bring together representatives of third sector bodies with government authorities. It acts as a national advisory body to promote third sector development. ***The Working Group on Social Economy*** operates under the Ministry of Economy and Finance. It is responsible for adapting the European Commission's Social Economy Action Plan to the Italian context. The Working Group includes national governmental authorities, social economy representatives, non-profit organisations and research institutions.
- **Latvia:** ***The Commission for Social Enterprises*** oversees and monitors the registration of social enterprises. It is composed by government representatives from the Ministry of Welfare, the Ministry of Economics, the Ministry of Culture, the Ministry of Finance and the Ministry of Environmental Protection and Regional Development, social enterprise experts, NGOs, and business associations.
- **Poland:** ***The National Committee for the Development of the Social Economy*** is the advisory body of the Minister of Family, Labour and Social Policy. The committee was designed as a mechanism of co-ordination tasked with social economy policy development. It is composed of representatives of national and local administration, social partners, the world of science, Bank Gospodarstwa Krajowego and representatives of the social economy.
- **Portugal:** ***The National Council for the Social Economy*** is an advisory and monitoring body for the development of the social economy sector. The Council gathers national government authorities, regional government authorities from Azores and Madeira and representatives from social economy entities.
- **Slovak Republic:** ***The Working Group for Employment, Active Labor Market Policy, Youth Guarantee, and Social Economy*** operates under the Ministry of Labour, Social Affairs and Family. It focuses on facilitating co-operation with stakeholders in the design, implementation, monitoring and review of employment policies and the social economy. It is composed of national authorities, the association of municipalities and towns, employers' unions, academic institutions, the youth council and social economy associations.
- **Slovenia:** ***The Council for Social Economy*** is tasked to facilitate the co-ordination of policies in the field of social entrepreneurship and economics. It gathers representatives of ministries and government departments, social economy entities, associations of local communities, social partners, and professional institutions in the field of social economy.
- **Spain:** ***The Council for the Promotion of the Social Economy (Consejo de Fomento de la Economía Social)*** is an advisory and consultative body within the Ministry of Labour and Social Economy. It fosters collaboration and dialogue between the representatives of the social

economy and the general administration of the state. It includes representatives from the national government, the regional and local government, workers' organisations and the social economy sector.

- **Trentino (Italy):** ***The Round Table for the Solidarity Economy*** provides advisory, guidance functions and technical support to social economy policies. It comprises governmental representatives from departments responsible for industry, trade, tourism and agriculture and representatives from social economy sectors.
- **Wallonia (Belgium):** ***The Walloon Council of the Social Economy (CWES)*** operates under the Economic, Social and Environmental Council of Wallonia (CESE Wallonie). It advises the government on social economy matters and prepares the annual evaluation report on the implementation of the decree on social economy. Its members include employers and workers organisations, social economy enterprises, experts on the social economy and Walloon government representatives.

Source: Refer to the country notes in the supporting material of this report for more details per country.

Engaging with the social economy

Engaging in regular dialogue with social economy representatives, such as federations of co-operatives, social economy chambers, non-profit networks or associations of social economy entities and other umbrella organisations, is promoted in many EU Member States. The design and implementation of social economy policy is inherently grounded in real-world application, making it important to understand the needs and priorities of social economy entities. In this regard, all Member States host many representative umbrella networks for social economy entities. In many countries, these networks focus on particular legal forms or constituents of the social economy such as social enterprises or co-operatives. In some countries, organisations may represent the entire social economy (e.g. French Chamber of the Social and Solidarity Economy (ESS France), the Panhellenic Confederation of Unions of Social and Solidarity Economy (PASE KALO) in Greece, the António Sérgio Co-operative for the Social Economy (CASES) in Portugal, the Spanish Business Confederation of Social Economy (CEPES)). Box 3.5 provides examples from Member States on prominent representatives of the social economy.

Box 3.5. Co-operating with the social economy for better policy

In all Member States, there are representative organisations on the social economy or its specific constituents. Their main purpose is to represent the interests of their members to inform public policy for more effective social economy development. These bodies often receive public funding and focus on establishing collaboration networks with social economy representatives.

- **France:** The French Chamber of the Social and Solidarity Economy (ESS France) represents and promotes the interests of social economy actors under the form of a federation. It gathers national SSE entities, regional SSE chambers and other legal entities within the social economy ecosystem. Its main goal is to co-ordinate and unify social economy stakeholders across the country.
- **Hungary:** The Federation of Social Co-operatives and Coalition (SzoSzöv) represents the interests of social co-operatives. Its main objective is to promote the activities of social co-operatives and support the development of a co-operative network. The Coalition of Hungarian Social Enterprises advocates for the interests of social enterprises. It is composed by all

organisations engaged in commercial activities with a social goal. They have established a partnership with national policymakers to advance in the development of social enterprises.

- **Luxembourg:** Luxembourg Social and Solidarity Economy Union (ULESS) represents social economy actors in policy discussions and advocates for the interest of social economy entities with policymakers. Additionally, ULESS is responsible for the management and award of the "Impact Luxembourg – Societal Impact Company" label.
- **Portugal:** The António Sérgio Co-operative for the Social Economy (CASES) operates under the Ministry of Labour, Solidarity and Social Security. It is a public co-operative tasked to develop the social economy ecosystem and enhance collaboration between public authorities and social economy entities.
- **Spain:** The Spanish Business Confederation of Social Economy (CEPES) is the main representative of social economy entities. It gathers national, regional confederations and specific business groups to advocate for the interests of co-operatives, worker-owned enterprises, mutual societies, insertion companies, special employment centres, fishing guilds, and associations in the disability industry. It includes over 200 regional support structures.

Source: Refer to the country notes in the supporting material of this report for more details per country.

Collaborative structures contribute to social economy policy through multiple ways. "Policy design and implementation" were identified as the most common way through which representative structures contribute to the social economy. Indeed, these networks offer valuable insights and serve as key partners in shaping policies for the social economy that are relevant and effective. Policy advice is followed by "advocacy and awareness raising" activities and "networking and partnership building". Many networks also provide support on "capacity building and training" and "advisory and business support services" for social economy entities. [2]

Complexities in institutional arrangements for the social economy

Many Member States are increasingly looking to promote the social economy through public policies, but its features and constituents can present complexities in establishing institutional arrangements. For example, legal frameworks on the social economy are increasing at national level. However, social economy policies do not always effectively trickle down to subnational and local levels. The variety of policy areas that social economy entities contribute to underscores the importance of structures and/or mechanisms that can effectively support and co-ordinate the mainstreaming of the social economy across social and economic policymaking.

Diversity of legal forms and sectors

Social economy policy mandates frequently fall under multiple ministries, in part due to the diversity of legal forms of the social economy. Associations, co-operatives, mutual societies, foundations, and social enterprises each operate under different legal and regulatory frameworks, which are often associated with specific government bodies. When a national coordinating framework is lacking, this variance can become even more pronounced. However, even in cases where such a framework is in place, the legal diversity typically continues to involve multiple government ministries.

Although different ministries may be responsible for specific legal forms, one ministry could be designated to oversee the overall social economy policy. Across EU Member States, associations and foundations are often involved in civil society policies and are therefore mostly overseen by Ministries of Interior or Justice and sometimes Ministries of Citizenship or Social Affairs. Co-operatives often fall under the jurisdiction of Ministries of Economy, Commerce and/or Agriculture. Social enterprises, especially work integration social enterprises, may fall under Ministries of Labour or Economy. In Croatia, for example, the Ministry of Labour, Pension System, Family and Social Policy oversees social economy policy while specific ministries are responsible for various legal forms (i.e. co-operatives by the Ministry of Economy, associations and foundations by the Ministry of Justice, Public Administration and Digital Transformation).

Beyond their legal forms, social economy entities operate across a wide array of sectors, including education, health, employment, culture, and social services. This sectoral reach means that ministries often engage with the social economy through the lens of their own thematic mandates. As a result, policymaking responsibilities are often distributed based on sectoral relevance, further reinforcing the need for coherent co-ordination mechanisms across government levels to promote integrated and effective support for the social economy.

Limited or no recognition of the social economy

Although many EU Member States have created their definitions or concepts of the social economy, there are still countries where the term is not well understood or lacks clear recognition. In these contexts, the term "social economy" may not resonate with policymakers or may lack visibility in public discourse. The lack of pre-defined criteria or principles to define the perimeter of the social economy makes it difficult to assign a specific policy mandate. As a result, policy competence in this area tends to be fragmented, which may further complicate the development and implementation of coherent social economy strategies.

In countries where there is no national framework or recognition of the social economy, different institutions oversee various activities of the social economy depending on their mandate. For example, in Estonia, there is no legal framework on the social economy or social enterprises. The Ministry of the Interior, the Ministry of Social Affairs and the Ministry of Financial Affairs design and enforce frameworks relevant to social economy activity. Their mandate is based on different acts that regulate the activities of particular organisations such as foundations and non-profit associations. As social economy entities are also involved in providing goods and services, countries' commercial codes and trade authorities are also involved to oversee commercial activity. Local actors can also be the driving force behind social economy development especially in the absence of framework laws or strategies at the national level, as can be seen with cities such as Amsterdam and Rotterdam in the Netherlands, or regional initiatives in Sweden.

Limited engagement and competence of subnational and local authorities on the social economy

Legislation and policymaking related to the social economy are still predominantly driven at the national level in most EU Member States. However, this approach often overlooks the fact that social economy initiatives are deeply rooted in local communities and play a critical role in territorial development, social cohesion, and access to essential services by communities.

Given their proximity to citizens and their understanding of local needs, subnational and municipal authorities could be key actors in fostering and sustaining social economy ecosystems. Engaging local authorities in social economy policy can also provide a check mechanism to see if available policies are relevant and effective in the local context. Therefore, embracing a multi-level governance approach would allow policy priorities to be shaped and implemented in a way that reflects the realities and contributions of all levels of government, from the national to the local.

Fragmented co-ordination and co-operation efforts

In many EU Member States, there is no designated co-ordination mechanism responsible for overseeing social economy policy across different ministries and levels of government. This lack of centralised co-ordination often leads to fragmentation, with various initiatives being developed in isolation by different departments or levels of administration. Without a clear focal point to align strategies and promote consistency, policies related to the social economy typically lack coherence and do not address the social economy's needs effectively. This is particularly evident when co-ordination is required between national, regional, and local levels, where responsibilities may overlap or be inconsistently applied.

While the diversity of representative networks is a sign of the sector's richness and inclusivity, the absence of comprehensive umbrella organisations weakens the social economy's collective voice. Numerous actors and networks advocate for the interests of social economy entities, but without a unified platform, their influence on policymaking can be diluted. This fragmentation makes it more difficult to present a coherent position to policymakers, limiting the ability to shape relevant legislation or strategic priorities. A more co-ordinated representation could enhance visibility and strengthen dialogue with public authorities at all levels.

Policy options

The social economy is a trusted partner for policymakers. To fully harness its potential, it is important that institutional arrangements go beyond scattered initiatives and take a comprehensive, joined-up approach, facilitating coherence across sectors and levels of governance. Policymakers can be guided by clear roles, strong co-ordination, and effective stakeholder involvement to build a policy environment where the social economy can thrive and make a lasting impact. Infographic 3.3. summarises the considerations that policymakers can have when designing institutional arrangements around social economy policy.

Infographic 3.3. Policy considerations for effective institutional arrangements

Developing a common definition of the social economy and institutionalising policy leadership through a designated authority

Establishing institutional arrangements around the social economy begins with building a shared national understanding of what the social economy is and who its key actors are in alignment with the EU Council Recommendation while reflecting national specificities. While the cross-cutting nature of the social economy means that multiple ministries and agencies may have relevant responsibilities, ranging from employment and social affairs to regional development and enterprise, it is important to appoint a lead ministry to steer the overall policy direction. A focal point within government not only enhances co-ordination across departments but also strengthens dialogue with stakeholders and long-term strategic commitment.

Some Member States may prefer to represent the social economy at the highest level by incorporating the area as the main mandate of a ministry. In Spain, the Ministry of Labour and Social Economy oversees government policy on the social economy. In Luxembourg, the Ministry of Labour, Employment and Social and Solidarity Economy was later renamed as the Ministry of Labour; however, it still keeps the specific remit on the social and solidarity economy through a dedicated department. In France, a Minister Delegate is responsible for the social and solidarity economy in addition to trade, crafts and SMEs, attached to the Ministry of Economy, Finance, Industrial and Digital Sovereignty.

Establishing dedicated units within regional and municipal governments to foster a multi-level governance framework for the social economy

Dedicated units within subnational and municipal governments are of high importance for fostering effective multi-level governance for the social economy. These teams play a critical role in co-ordinating local efforts and facilitating that the unique needs and realities of their communities are clearly communicated during national policy design processes. By acting as a bridge between local stakeholders and national authorities, they help shape policies that are better tailored and more responsive to diverse territorial contexts. Additionally, these dedicated units enable regions and municipalities to more effectively access and implement national initiatives, maximising the impact of social economy programs on the ground.

Some Member States have already incorporated comprehensive social economy mandates across regional and local authorities such as France, Italy and Spain. In these countries, the contribution of the social economy to territorial cohesion is highly recognised and therefore encouraged by authorities at all levels of government, often facilitated by effective decentralisation efforts. In France, for example, the Law on the new territorial organisation of the Republic *("Loi NOTRe")* adopted in 2015 clarified the competences of communes, departments and regions, reinforcing the powers of regions in economic development. Given the increasing decentralisation efforts across Member States, relatively more centralised countries are also introducing local structures to support social economy development (OECD, 2019[5]). Examples include Bulgaria's Regional Centres for the Social Economy, Poland's Social Economy Support Centres (OWES) and Slovak Republic's Regional Social Economy Centres.

Creating collaborative structures to maintain policy momentum and continuity

Social economy policy often faces challenges of inconsistency and disruption, as shifts in political priorities or changes in government can lead to sudden changes or even discontinuation of initiatives. To safeguard against such volatility, it is crucial to develop a well-functioning co-ordination mechanism that operates across different levels of government, from national to regional and local, and which actively involves stakeholders from the social economy sector itself. By institutionalising regular communication and collaboration through such a system, policy continuity can be strengthened so that social economy strategies remain resilient and adaptive despite changing political dynamics.

Some Member States demonstrated varying degrees of policy interest around the social economy over time. For example, Croatia adopted the 2015-2020 Strategy for the Development of Social Entrepreneurship, which faced challenges in its implementation while recent initiatives are emerging to foster social economy development (European Commission, n.d.[16]). In Finland, the Act of Social Enterprises was adopted in 2003 and was later repealed in 2023 due to low effectiveness and registration numbers (European Commission, 2024[17]). Portugal hosts a good practice on effective collaboration between state authorities and social economy representatives through continuous partnership. The António Sérgio Co-operative for the Social Economy (CASES) is a public interest co-operative under the Ministry of Labour, Solidarity and Social Security, whose mission is to develop the social economy. It operates as a collaboration between the state and social economy entities, co-operating often also with local authorities to support social economy development across the country.

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Notes

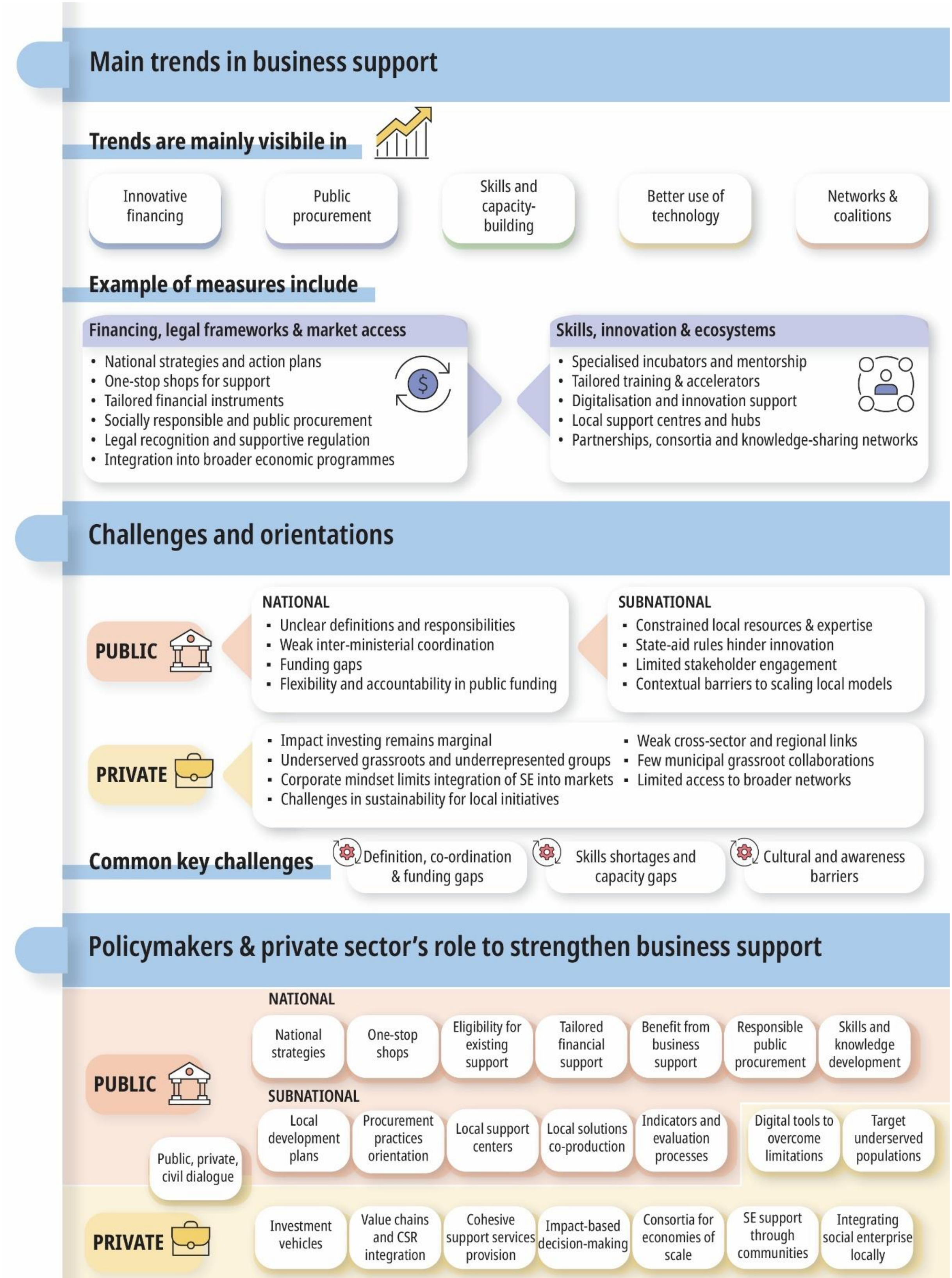
[1] The survey was circulated in September 2024 with national, regional and city authorities working on social economy as well as social economy representatives, which received 70 full or partial responses.

[2] The results are based on a survey circulated by the OECD to national, regional and local authorities from EU Member States in 2024.

4 Business support initiatives for the social economy

Business support mechanisms are crucial to help social economy entities realise their full potential across the EU. Tailored financial, advisory, and market-access services enable these organisations to strengthen their capacity, innovate, and scale their impact. This chapter provides an overview of business support for the social economy in EU Member States, examining national, regional, and local initiatives led by both public and private actors. It analyses how institutions design and implement targeted instruments adapted to the legal forms and mission-driven nature of social economy entities. It also explores emerging trends, such as the establishment of competence centres, the integration of social enterprises into SME and innovation programmes, and the expansion of blended finance and impact investing. Drawing on diverse country experiences, it identifies key patterns, challenges, and promising practices, and concludes with policy recommendations to reinforce business support systems and foster the growth and resilience of social economy entities.

Infographic 4.1. Business support for the social economy can help develop its potential



Why does business support matter?

Similar to traditional businesses, social economy entities – particularly those engaged in market-based activities – require targeted support schemes to facilitate their growth, innovation, and scaling. These support mechanisms encompass a wide range of activities designed to address the unique challenges faced at various stages of development and expansion. Tailored programmes often include specialised training, mentorship opportunities, expert consulting, and strategic business development services that help to launch enterprises, strengthen their operational capacity, improve management practices, and effectively reach new markets.

Business support typically provides access to a wide range of resources: Legal and regulatory guidance, and services such as access to finance – including grants and loans – alongside capacity-building initiatives in management, marketing, and technology. Advisory services provide expert guidance on business planning, legal compliance, and strategic development, providing social economy enterprises with the tools to navigate complex regulatory environments and seize new opportunities.

The importance of business support dedicated to the social economy is recognised at both European and international levels. The 2021 European Social Economy Action Plan emphasises the critical need to build capacity within social economy entities and create enabling environments that sustain their growth. Similarly, the 2023 EU Council Recommendation advocates for comprehensive framework conditions, including legal recognition, access to finance, tailored business support, and institutional backing, to promote the development and scaling of social economy activities across EU Member States and beyond. Together, these initiatives underscore a shared understanding that strategic, dedicated support is essential for harnessing the full societal and economic benefits of the social economy.

How does social economy business support differ from conventional business support?

While a number of support needs are similar to traditional businesses, business support for the social economy usually needs to be designed to match the structure of its entities as well as their focus on social impact. For example, social economy entities are required by law to reinvest surpluses or profits into social purposes. This fundamental difference with conventional business means that business support needs to prioritise social impact alongside economic viability (OECD, 2023[1]). In many countries where the social economy is well established – such as France, Italy, and Spain – public authorities increasingly recognise that social economy entities often require training, incubation, and funding programmes that align with their social missions (Interreg Europe, 2024[2]).

Business support needs to be provided for different stages of development. For the initial stages of the social enterprise where they need to develop their theory of change to identify and focus on their social goal and future impact as well as for later stages and for scaling-up. In all of these stages social economy organisations may have support needs that differ somewhat from traditional businesses.

However, social economy entities also exhibit significant diversity in terms of their specific objectives (mutual versus general interest), legal structures, business models, size, outreach and sectors. These characteristics imply that each type of entity faces specific challenges and needs, in particular regarding policy support (OECD, 2023[1]).

Table 4.1. Business support needs for conventional businesses and social economy entities

Type of support	Conventional businesses	Social economy entities
Access to finance	Access to commercial banks, investors, and generic SME finance schemes	Patient capital, ethical finance or impact investors; grants or tailored funds due to limited profit margins
Business development services	Widely available through incubators, chambers of commerce, export promotion agencies, etc.	Specialised incubators (or specialised expertise inside traditional incubators), mentorship on social innovation, and support to measure social outcomes and participative governance
Legal & regulatory framework	Standard company forms with well-defined business law support (e.g. corporations, SMEs)	Clear recognition in business policy, and dedicated legal frameworks, guidance regarding choosing the legal form that best fits the mission of the organisation within the legal framework in the country, guidance on specific legal forms such as co-operatives
Market access & public procurement	Guidance on general market frameworks and competing on price/quality in public procurement	Guidance on general market frameworks and competing in the market (especially on quality), socially responsible public procurement and local market linkages, support to access markets via social clauses or labels that value social impact
Skills development	Guidance regarding market-competitive salaries and standard training programmes to attract and upskill staff	Guidance regarding competitive package for employees (salaries, working conditions), tailored training in areas like digital skills, participatory leadership and social impact management for staff or volunteers, including those from disadvantaged/underserved groups
Internal organisation	Formalise internal processes as the business grows, readily available generic advice on hiring first employees and managing finances, governance structures driven by owners/shareholders and financial performance metrics	Often start with limited internal capacity, require support to build formal governance, accounting and HR processes aligned with their mission, need to integrate social impact measurement into management practices, alongside financial oversight
Innovation & technology	R&D incentives, digitalisation grants and innovation hubs	R&D incentives, digitalisation grants and innovation hubs, dedicated incubators (or specialised programs), social innovation labs and public/philanthropic funding prioritising societal value
Partnerships & scaling	Export promotion services, rules for market competition as well as mergers/acquisitions	Co-operation, local partnerships and peer networks. Scaling relies on collaboration, consortia, and targeted support for inter-regional and international expansion

Business support needs to support social economy organisations with a view to contributing to social impact alongside surplus and scale in areas such as access to finance and markets, as well as other services (OECD, 2021[3]; OECD, 2023[4]). Table 4.1. summarises the specific business support needs of social economy entities.

Access to finance

Social economy entities face greater difficulties in obtaining loans or equity capital. They operate under legal forms (e.g. co-operatives, associations or nonprofits) that may not be eligible for SME grant programmes or collateralised lending, further restricting their access to finance. Traditional businesses generally rely on commercial banks, investors and standard SME finance schemes to fund their growth. Social economy entities often cannot meet the return expectations of mainstream investors because they limit profit distribution and prioritise social returns (Golka, 2022[5]). To address these constraints, tailored financial instruments have been developed – such as patient capital from ethical banks, social investment funds, or grant – loan hybrids – alongside public guarantees to share risk with lenders. These bespoke funding sources recognise that the social economy entities often have lower profit margins and longer payback horizons (Rousselière, Bouchard and Rousselière, 2024[6]) and thus require more support in financing their activities than profit-driven ventures.

Business development services

Social economy entities often report that conventional business support is insufficient or poorly adapted to their needs (Mazzei and Steiner, 2021[7]). Specialised incubators and capacity-building initiatives have emerged to fill this gap. These tailored services provide mentorship on social innovation, help in measuring social impact, and guidance on participative management (OECD, 2025[8]). These support areas are not commonly covered in traditional business advice. Conventional enterprises can draw on a wide array of incubators, accelerators, chambers of commerce, and consultancy programs that are designed for typical commercial startups or SMEs.

Legal and regulatory frameworks

Many countries have introduced dedicated legal frameworks or official definitions for social economy entities. Traditional enterprises often operate within long-established commercial legal codes and can access mainstream business law services and incentives. Social economy entities span diverse legal forms, which sometimes do not fit into existing business categories (Serres, Hudon and Maon, 2022[9]). This gap means that social economy entities can struggle with regulations not tailored to their hybrid social-commercial nature (OECD, 2022[10]), and they may be ineligible for standard business support measures that assume for-profit corporate forms.

Access to market and public procurement

Social economy entities may need/rely on social clauses and enabling policies in ways mainstream firms typically do not. For instance, this could entail helping social economy entities obtain social procurement labels or certifications, facilitating partnerships with municipalities and ethical buyers, and leveraging local markets that value social impact (OECD, 2023[11]). Given their structure and nature, conventional businesses generally compete in open markets on the basis of price, quality and efficiency, and public procurement contracts are usually awarded to the lowest-cost bidders under standard rules. These approaches often put social economy entities at a disadvantage, making it hard to win tenders decided solely on price, because their added social value or mission-driven underpinnings are not captured in the bidding criteria, so they cannot credibly compete just on cost terms. Even though EU law now allows social and environmental criteria in public purchasing, most contracting authorities have yet to fully embrace "socially responsible procurement" and still focus on economic value alone (European Commission, 2020[12]) (OECD, 2020[13]). As a result, social economy providers struggle to access these mainstream market opportunities despite often delivering broader societal benefits through their goods and services.

Skills development

Skills development and talent attraction in the social economy entail different approaches than in conventional businesses. Traditional enterprises typically attract talent through market-competitive salaries and tap into standard training programmes to improve productivity. Social economy entities, by contrast, often face skills gaps and need to attract mission-driven staff or volunteers, including individuals from disadvantaged backgrounds, which creates additional training needs in areas like digital literacy, participatory leadership and resilience (Gururaja, 2024[14]). Tailored capacity-building initiatives have emerged to address these needs (e.g. under the EU Pact for Skills) aimed at upskilling social economy workers and leaders in competencies that mainstream firms do not prioritise. Public authorities are increasingly recognising that strengthening the workforce and volunteer base of social economy entities can help these entities to fulfil their dual economic and social mission alongside traditional business metrics.

Internal organisation

Both conventional and social economy enterprises need to establish effective internal structures and processes, but their needs may differ in terms of focus. Conventional businesses usually grow in a standard way, formalising internal functions such as accounting systems, HR policies and management structures, and implementing generic guidance on hiring staff or introducing new administrative systems. Social economy entities, on the other hand, may initially lack internal capacity in areas such as corporate governance, strategic planning, financial management and HR, particularly if a large proportion of their workforce is made up of volunteers (Oliveira et al., 2021[15]). Social economy entities require tailored support to professionalise their internal management while preserving their social mission. Specialised business support can help social enterprises to develop robust administrative processes (e.g. proper bookkeeping and compliance with employment regulations), implement participatory governance practices and build leadership skills (OECD, 2023[11]). Importantly, unlike mainstream firms, which focus primarily on financial metrics, social economy organisations must measure and manage their social impact as part of their organisational practices (Hehenberger and Buckland, 2023[16]). Implementing impact measurement systems requires additional effort and resources, so targeted guidance and tools in this area are essential to help social enterprises track their societal outcomes alongside their financial performance (OECD/European Union, 2024[17]).

Innovation and technology

Social economy entities often experience a delay in digital transformation due to limited skills and technology investment (OECD, 2025[8]). Conventional firms benefit from well-established R&D incentives, digitalisation grants, and innovation hubs focused on commercial tech advances, all geared towards boosting competitiveness and profit. Social economy enterprises, however, tend to lag and often have low levels of digitalisation due to limited skills and investment in technology, and thus take only partial advantage of new platforms or data-driven tools (Raman et al., 2025[18]). Moreover, many social innovations (such as new models for service delivery or community engagement) fall outside the scope of traditional business R&D support, prompting the creation of specialised programmes for “social innovation” (OECD, 2025[8]). Dedicated social incubators and innovation labs have emerged to help social entrepreneurs develop and test solutions to societal challenges, offering mentorship, co-creation workshops and safe spaces to prototype ideas that would not attract typical private investors. These tailored supports – often backed by public or philanthropic funding – recognise that innovation in the social economy pursues public value and inclusivity, requiring longer time horizons and collaborative methods rather than the quick market returns expected in mainstream business.

Partnership and scaling

Such strategies in business support programmes vary for social economy enterprises compared to conventional firms. Mainstream businesses generally expand by competing in open markets or through mergers and acquisitions, aided by industry associations, chambers of commerce and export promotion services that assume a profit-maximising model. Social economy entities on the other hand, achieve growth primarily via co-operation and network-building, since their mission-oriented approach and limited capital are not aligned with traditional scaling approaches (Bauwens, Huybrechts and Dufays, 2019[19]). They often form partnerships with municipalities, civil society or ethical businesses and rely on peer networks to replicate their models rather than simply out-compete rivals (Coviello et al., 2024[20]). Recognising this, policymakers have emphasised the need to better integrate social economy entities into existing business support networks – for example, by encouraging chambers of commerce and incubators to open their programmes to social economy entities. EU bodies have also highlighted the importance of inter-regional co-operation and consortia to help social economy entities reach wider markets, including across borders. Indeed, the obstacles to international expansion are typically more pronounced for social economy entities than for conventional companies, owing to legal form constraints and the primacy of social goals over profit, so targeted support (e.g. matchmaking platforms, social export facilitation and knowledge-sharing partnerships) is being developed to address these gaps (OECD, 2023[21]).

Main trends in business support for the social economy

Over the past decade, European countries have shifted from ad hoc measures to comprehensive policies that support the social economy. Countries like France and Spain have established dedicated strategies and legal frameworks – Spain's 2023–27 Social Economy Strategy was developed with 16 ministries and stakeholders, while France's 2014 Law on the Social and Solidarity Economy legally defined the sector and created regional support structures. Poland's 2022 Social Economy Act introduced official certification and a registry, unlocking support. Luxembourg and Belgium introduced new legal forms and labels to recognise social enterprises.

EU-level initiatives and governments increasingly include the social economy in economic policy and broader recovery efforts. EU funds like the Recovery and Resilience Facility and cohesion policy have allocated resources – Spain's 2021 plan invested over EUR 800 million in social economy and care. The 2021–27 ESF+ Programme promotes social innovation and entrepreneurship, with regional projects accessing broader funding through initiatives like the EU Social Economy Gateway, fostering sustainability and growth across Europe.

As a result, business support for the social economy has expanded and evolved across EU countries. Governments at all levels, together with European institutions and private providers, have introduced new policies, funding instruments, and capacity-building initiatives to help social economy entities start and scale their impact. In particular, trends in business support for the social economy relate to the following elements:

- Innovative financing instruments, impact investing and venture philanthropy networks.
- The use of public procurement for better access to markets.
- Skills development and capacity-building support.
- Better use of technology to amplify social innovation.
- Formation of networks, coalitions and knowledge-sharing platforms.

Innovative financing instruments, impact investing and venture philanthropy networks

Several countries have launched dedicated financial programmes to boost social economy finance. In Italy, for example, the Ministry of Enterprises introduced the "Italy Social Economy" incentive in 2022 with a budget of EUR 223 million, combining resources from a national revolving fund and the Sustainable Growth Fund. This scheme offers financing for social economy entities and co-operatives to expand projects that create jobs for disadvantaged groups, support environmental sustainability or preserve cultural heritage (Invitalia, 2022[22]). In Poland, affordable loan instruments for social economy entities have been scaled up under ESF-funded initiatives, leading to the establishment of a permanent National Fund for Social Entrepreneurship that continues to offer long-term, low-interest credit and mentoring for social economy entities (Republic of Poland, 2023[23]).

Innovative financing instruments blending public and private resources to finance the social economy are on the rise. While recognising that traditional grants alone are not sufficient to sustain and scale the social economy, many countries have piloted new funding models such as social investment funds, outcomes-based contracts, and blended finance schemes (Better Society Capital, 2021[24]). A flagship example is Portugal's Social Innovation initiative, which since 2015 (and extended under Portugal Social Innovation 2030) has redirected EU Structural Funds into four tailored financial instruments: capacity-building grants, co-financing for projects via "Partnerships for Impact", a Social Impact Bonds (SIB) programme, and a social investment fund. This model – backed by European Social Fund resources – demonstrated how public funding can leverage private investment.

Alongside public schemes, new impact investment platforms are emerging to inject private capital into the social economy. In France, three years after launching the first Social Impact Bonds fund, BNP Paribas in 2023 rolled out a second, larger European Impact Bonds Fund with a target size of EUR 70 million, in partnership with *Banque des Territoires* and the European Investment Fund. This fund finances outcome-based projects across EU countries – for example, initiatives for youth employment, prisoner reintegration, or carbon reduction – by attracting private investors to pre-finance services that government will pay for upon verified social results (Banque des Territoires, 2023[25]). In Germany, the state development bank KfW has also expanded its support: As part of the national Social Innovation Strategy, KfW opened its Start-Up Loan programme in late 2024 to non-profit and social economy entities, offering low-interest loans up to EUR 125 000 with an 80% state guarantee to encourage banks to lend to social business ventures (KfW, 2024[26]).

Venture philanthropy networks have grown across Europe, providing social economy entities with opportunities to access private capital. The European Venture Philanthropy Association – now rebranded as Impact Europe – reports a steadily growing pool of impact investment available for social purpose-driven entities (Impact Europe, 2024[27]). Venture philanthropy funds and social investment wholesalers co-invest alongside government, shifting the support model from pure grants to mixes of loans, equity, and guarantees aimed at sustainability. Public financial institutions are also joining in. For instance, in 2023 the European Investment Fund (EIF) used the new InvestEU programme to provide a EUR 53 million guarantee to *Erste* Bank and partners in Central Europe, unlocking over EUR 66 million in loans for social economy entities in Austria, Czechia, Slovak Republic, Hungary, and Romania (European Investment Fund, 2023[28]). Importantly, this deal not only improves access to finance but also comes with capacity-building and networking for the borrower enterprises.

The use of public procurement for better access to markets

National governments are embedding social considerations into procurement laws and targets, thereby expanding opportunities for social economy entities. France provides a leading example: Its 2021 Climate & Resilience Law require that from 2026 100% of public contracts above EU thresholds include at least one social clause, with an interim goal of 30% of all contracts doing so by 2025 under the National Sustainable Procurement Plan. This mandate means that public buyers must account for social impact (such as employment of vulnerable groups or social innovation in service delivery) in a large share of tenders (Légifrance, 2021[29]). Similarly, countries like Italy and Poland have integrated provisions for reserved contracts and social clauses in their procurement frameworks. Poland's Social Economy Act explicitly introduced measures to make it easier for registered social economy entities to participate in public tenders – for example by allowing contracting authorities to reserve certain contracts for them and by simplifying procedures. Italy's new Public Contracts Code (2023) continues to uphold mechanisms whereby social co-operatives and other Work Integration Social Enterprises (WISEs) can secure contracts for community services, building on earlier rules that permitted reserving tenders for firms that employ disadvantaged workers (Codice Appalti, 2023[30]). Across Europe, these policy advances signal to contracting authorities that choosing a provider who delivers social value is not only permissible but encouraged, thereby mainstreaming the practice of "buying social" in public procurement.

As a result, public procurement arrangements are increasingly used to support social economy entities at local and regional levels. Governments are using their purchasing power to create markets for social economy entities and reward businesses that create social value. One approach is the inclusion of social clauses in public tenders – criteria that give preference or added points to bidders who generate social benefits. In Sweden, the municipality of Örebro is known for engaging a work integration social enterprise to handle tasks such as the cleaning of municipal vehicles, explicitly as a way to provide jobs to people facing difficulties in the traditional labour market (Sattari et al., 2022[31]). Across Europe, authorities may reserve contracts for social economy actors or include social value criteria – and many cities (from Paris to Copenhagen to Glasgow) have adopted "Buy Social" or socially responsible procurement strategies (OECD, 2023[11]). The trend here is twofold: It directly benefits social economy suppliers by giving them more business opportunities and revenue (thus reducing reliance on grants), and it also raises the credibility and visibility of social economy entities in the market.

Many local authorities partner with the social economy to deliver public services in innovative ways or to revitalise disadvantaged communities and neighbourhoods. This has led to innovative models of co-operation between municipalities and social economy entities, such as local governments providing free premises or seed funding for social co-operatives that run community cafés, care services, recycling workshops. By supporting experimentation and scaling what works, it helps the social economy grow in areas which private initiatives or market solutions might not reach (OECD, 2025[32]).

Box 4.1. The Slovak Republic's municipal social economy entities

A noteworthy trend in Central and Eastern Europe is the entry of municipalities themselves into the social economy arena to address local challenges. In the Slovak Republic, this has taken shape through municipal social economy entities, businesses owned and run by local authorities with the explicit aim of creating social value – such as jobs for the long-term unemployed – in their communities. Enabled by a 2018 Slovak Act on social economy, many small municipalities, especially in economically lagging regions, set up social economy entities to perform services like public works, maintenance, waste management, or social care, which either were not being provided or were done via public works schemes. For example, a village might establish a social enterprise to refurbish public spaces and hire locals who were unemployed, thereby solving community problems while creating jobs. This model grew from the bottom-up: With nearly 3 000 municipalities in Slovak Republic (many very small), local leaders saw social economy entities as a tool to combat "institutional emptiness" and economic decline. The central government supported this by allowing municipalities to access national subsidies and EU funds earmarked for social economy projects.

This entails an innovative role of local government as an entrepreneur and supporter, where municipalities are not only regulators or funders but also implementers of social enterprise activity. This brings the benefit of rapidly expanding the social economy's reach into remote areas and giving enterprises committed customers (i.e., the municipalities themselves). However, it also poses challenges, such as helping these enterprises remain sustainable and balancing their social goals with efficient service delivery. Nonetheless, the Slovak Republic's experience is being watched by other countries as a bold way to galvanise the social economy where private initiatives alone might not emerge. It underscores the broader trend of local innovation in support of the social economy, complementing national programmes.

Source: European Commission (2024[33]), OECD (2023[34])

Another innovative development at the local level is the rise of social economy entities led by municipalities. In these cases, local governments themselves create and own social-purpose businesses to address community needs in an entrepreneurial way. A prominent example can be found in the Slovak Republic, where the 2018 Social Economy Act opened the door for municipalities (especially in economically lagging or rural areas) to establish social economy entities with the explicit aim of job creation and service provision for local benefit (European Commission, 2024[33]) (see Box 4.1). The national government in the Slovak Republic actively supports these municipal social economy entities by making them eligible for social economy subsidies and EU funds. The trend is gaining attention beyond the Slovak Republic: Other Central and Eastern European countries are watching this approach as a bold way to stimulate the social economy in regions with few private initiatives. It demonstrates how local authorities can innovate in service delivery through social enterprise models – achieving public missions (like village upkeep or social inclusion) more dynamically, and with community buy-in, than might be possible through standard public sector methods.

Skills development and capacity-building support

Training, mentoring, and educational programmes specifically tailored to social entrepreneurship are expanding (Catala, Savall and Chaves-Avila, 2023[35]). In several countries, social enterprise modules and courses have been introduced into mainstream business education – for example, major Spanish business schools now offer social entrepreneurship specialisations, and Italian co-operative federations run management training academies for co-operative and social enterprise managers. There has also been an emergence of dedicated social entrepreneurship bootcamps and accelerators (often supported by public or philanthropic funding) which provide mentorship by experienced entrepreneurs.

Other programmes seek to strengthen the skills and operational capacity of social economy entities. For instance, Ireland has developed a suite of supports through its Dormant Accounts Fund to build capacity in the sector. Since 2018, the Irish government (in partnership with philanthropic sponsors) has co-funded the Social Enterprise Development Fund, a EUR 4.4 million programme that annually awards cash grants and provides non-financial coaching and business development support to high-potential social economy entities (Government of Ireland, 2024[36]). In addition, Ireland's Dormant Accounts schemes have included targeted training and mentoring initiatives, start-up funds, scaling-up grants and small capital grants for hundreds of social economy entities across the country. These measures are indicative of a broader push to professionalise the social economy through structured learning and financial assistance, providing social entrepreneurs with access to the same quality of business support as traditional SMEs.

The private and non-profit sectors are also involved in capacity-building for social economy entities, often via accelerators and international collaborations. One example is IKEA Social Entrepreneurship, which partnered with impact investor NESsT to launch a three-year accelerator programme in 2022 for social economy entities in Poland and Romania. Under this programme, ten selected social entrepreneurs receive tailored technical assistance, mentorship from business experts, help with market access, and even financing to scale up their impact-driven models (Impact Europe, 2025[37]). Similar multi-sector initiatives are present elsewhere – for example, Impact Hub innovation centres in numerous cities offer training workshops, incubation programs and mentorship specifically designed for social innovators. These hubs function as learning communities where social entrepreneurs can develop business skills (from digital marketing to impact measurement) in a peer-to-peer environment.

At the EU level, capacity-building schemes are available to the social economy. The Erasmus+ programme now funds projects for social enterprise education, and the Erasmus for Young Entrepreneurs exchange scheme actively welcomes aspiring social entrepreneurs to learn from host SMEs in another country (Erasmus for Young Entrepreneurs, 2025[38]). This cross-border exchange helps new social founders gain management experience and build international networks. Such initiatives are leading to more opportunities for social entrepreneurs to improve competencies like measuring social impact, designing hybrid business models, accessing public procurement, or governance in participatory organisations.

Use of technology to amplify social innovation

Digital transformation has become a growing focus in social economy support, acknowledging that better use of technology can significantly amplify social innovation (OECD, 2025[8]). In the past, many social economy entities lagged in digital capacity due to resource constraints (Buck et al., 2025[39]). Governments and networks are working to bridge this gap. A few countries have launched targeted programmes to boost ICT skills and digitalisation in the social sector – for example, training non-profits in digital marketing, or helping co-operatives develop online platforms. In Belgium, the "Social Tech Academy" was created as an EU-supported platform to improve digital competencies in social economy entities, offering resources on topics like data analytics for social impact and transitioning to a platform (Social Tech Academy, 2024[40]). Some national initiatives provide small grants for IT upgrades or free/discounted software to social economy entities, understanding that even modest technology investments (such as adopting a customer relationship management system or better data management tools) can increase efficiency and impact.

Targeted support for digitalisation in the social economy is often backed by recovery funds such as the EU's Recovery and Resilience Facility (RRF) under NextGenerationEU. Spain offers a particularly instructive case through its *Plan Integral de Impulso a la Economía Social* 2024–25, which earmarks RRF funding for technological modernisation of social economy entities. Under the plan's "IMPULSA-TEC" programme, grants are available for projects that create digital platforms, automate processes or deploy new tech tools to improve social economy business operations and community services – with particular encouragement for initiatives benefiting rural areas (Ministerio de Trabajo y Economía Social, 2024[41]). Even smaller measures, such as government vouchers for non-profits to obtain software or NGO-tech support platforms (e.g. TechSoup offering discounted IT products), are helping social economy entities adopt technology that amplifies their reach and efficiency.

Some support providers/initiatives align social economy development with the green transition and other major societal challenges. Some incubators and funding programmes explicitly target social economy entities working on climate and sustainability solutions. For instance, the city of Amsterdam has integrated social entrepreneurship into its circular economy agenda: Through Impact Hub's Circular Ecosystem, Amsterdam brings together impact start-ups, investors, corporates and the local government to accelerate circular business models. This platform runs acceleration programmes and competitions to scale up enterprises in areas such as waste recycling, sustainable fashion and renewable materials, having already facilitated millions of euros in investment for circular startups (Impact Hub Amsterdam, 2024[42]). Similar trends are observed elsewhere – Athens' Green and Social Innovation incubator focuses on eco-social start-ups, and in Italy and France, calls for projects under recovery plans have prioritised social economy entities in sectors such as renewable energy, sustainable agriculture or eco-tourism.

Formation of networks, coalitions and knowledge-sharing platforms

At national and regional levels, governance structures now embed the social economy more formally into decision-making and co-ordination processes for social, fiscal, economic, and public policy. In Poland, for example, the 2022 Social Economy Act not only defined social economy entities but also established a multi-level governance framework: A National Committee for the Development of the Social Economy and parallel regional committees have been set up to bring together government officials and social economy representatives to steer policies and programmes (Republic of Poland, 2023[43]). A similar trend is seen in other countries – Spain's government works closely with CEPES (its national social economy confederation) through a permanent dialogue platform, and Italy's national council for the third sector includes social enterprise networks as key stakeholders. Furthermore, thematic coalitions spanning multiple countries have arisen to tackle specific support gaps. One recent example is the Buy Social Europe B2B initiative launched in 2023, which unites 23 partner organisations from 17 countries to promote socially responsible purchasing across borders. Led by Euclid Network and others, this coalition connects established "Buy Social" networks (from the UK, Germany, the Netherlands, etc.) in a joint effort to link social enterprise suppliers with mainstream corporate and public buyers at a European scale (Euclid Network, 2023[44]).

International mutual-learning events and platforms have multiplied, creating a true pan-European community for the social economy. The European Commission and Social Economy Europe now co-host high-profile conferences – notably the European Social Economy Summits (EUSES). In May 2021, EUSES in Mannheim brought together policymakers and practitioners to adopt the Mannheim Declaration on social economy's future, and in November 2023 the Social Economy Conference in San Sebastián (Donostia) convened around 2 000 participants from across Europe and beyond (Diesis Network, 2023[45]). These gatherings, alongside global forums like the Social Enterprise World Forum, facilitate intensive exchange of ideas, tools and partnerships. They have led to joint declarations and action plans that align efforts across countries. Importantly, digital knowledge platforms have emerged as well: The EU Social Economy Gateway (launched 2023) serves as an online hub aggregating resources, while projects like the ESF+-funded Competence Centres for Social Innovation are linking experts across member states to share best practices (EU Social Economy Gateway, 2025[46]). Through such networks, innovations pioneered in one locality – whether a successful incubator model or a financing tool – can be disseminated and adapted elsewhere, accelerating the overall development of supportive ecosystems. The Better Incubation initiative worked to equip mainstream business support organisations with new tools and practices to better serve social and inclusive entrepreneurship, thereby strengthening the linkages between business support networks and the social economy ecosystem (Better Incubation, 2022[47]).

Main challenges of business support schemes for the social economy

Access to business support for the social economy has improved significantly. However, it remains inconsistent due to fragmented policy frameworks. This fragmentation is partly due to the relatively recent emergence of the social economy on some policy agendas – i.e. consistent national strategies or "one-stop" support structures are not yet widespread. Where mainstream businesses might turn to unified enterprise agencies, social economy entities often must navigate a patchwork of smaller initiatives (Budumuru and Paruchuru, 2025[48]). Moreover, there is a legal ambiguity around what constitutes a social economy entity in some EU countries. Different definitions and legal forms abound, which makes it difficult for authorities to design and target support measures effectively (OECD, 2022[10]). This challenge is pronounced in countries where only certain types of social enterprise, for example, e.g. work-integration enterprises, are officially recognised, leaving other socially-driven businesses outside the scope of support schemes.

Traditional funding models often are not equipped to prioritise social returns. Many social economy entities face challenges in obtaining bank loans or private investment due to a lack of collateral and modest financial returns (Liñares-Zegarra and Wilson, 2024[49]). Conventional support funds may exclude social economy actors when eligibility focuses on high growth or commercial metrics (Kraemer-Eis et al., 2023[50]). In Germany, for instance, social entrepreneurs have faced bureaucratic hurdles and a lack of financial support. Similarly, in Central and Eastern Europe, reliance on short-term EU grants creates challenges for sustainable financing post-grant. EU instruments like InvestEU aim to bridge this gap, but awareness among commercial investors regarding social economy entities' business models remains limited (OECD, 2025[8]).

Skills shortages undermine social economy entities' potential to scale. Unlike start-ups that can join accelerators, social entrepreneurs may find that conventional incubators do not address their need to balance mission and margin. While social economy entities' support needs are broadly similar to other SMEs, there are important differences, such as a need for help with measuring social impact and accessing networks that value their mission. Currently, business support organisations for regular SMEs often do not have the expertise to advise on these areas. Additionally, the social economy faces a talent attraction and retention issue, partly because salaries can be lower and career paths less defined than in the corporate sector (World Economic Forum, 2023[51]).

The social economy's contribution is not yet fully understood by the broader public and business community (Spanuth and Urbano, 2023[52]). Without widespread awareness, support schemes may be underused. Social entrepreneurs might not know about them, and public procurement officers may not incorporate social clauses. Additionally, changing societal perceptions, such as the misconception that social economy entities are merely small charities rather than innovative businesses, remains an ongoing challenge across EU Member States.

Table 4.2. summarises the barriers identified in this section. These classifications are based on whether they are encountered by the public or private sector, and whether they are more commonly observed at the national or subnational level. The remainder of this section offers additional details on each of the points outlined in the table.

Table 4.2. Barriers to business support schemes for the social economy

Sector / Level	Public sector	Private sector
National level	• Lack of clear legal definitions/status for social economy entities, making eligibility and targeting difficult • Weak co-ordination across ministries/levels of government (absence of unified "one-stop" support frameworks) • Funding insufficiency and sustainability issues (national programmes often depend on temporary grants that expire) • Tension between needing flexibility in support rules (to adapt to social impact, mission drift etc.) and accountability in funding schemes	• Private financiers are more focused on commercial returns, making them reluctant to support social economy entities • Private support programmes fail to reach grassroots initiatives, particularly in non-urban or underrepresented areas • Corporate culture and institutional inertia can slow integration of social economy entities into supply chains, procurement, and broader business networks • Local private/community initiatives struggle to scale and attain financial sustainability, especially when relying on volunteers or short-term funding • Social economy entities are often fragmented by sector or geography, limiting co-operation and mutual support • Collaboration with local public authorities is not always clear or can be uncertain, potentially leading to overlaps, tensions, or loss of autonomy • Exchange networks (EU, national) do not systematically include local private actors, reducing access to best practices, partners or finance
Subnational level	• Local public authorities often lack resources, staff, or specialist social economy units to deliver support effectively • Rigid funding or regulatory frameworks (state-aid, procurement, competition rules) limit local innovation and flexibility • Stakeholder engagement and community participation structures are underdeveloped, reducing relevance and ownership of programmes • Contextual variation (legal, institutional, geographic) makes transferring successful models difficult; local evaluation/data often lacking	

Barriers encountered by the public sector in providing business support for the social economy

National level

In some countries, social economy policy is still nascent or not unified, leading to uncertainty about definitions and responsibilities. For example, in countries like Lithuania, the legal definition of “social enterprise” (focused mainly on work integration of persons with disabilities) excluded many community-oriented businesses from official support. This lack of a unified definition or legal status made it hard for national programmes to target social economy entities – many were assimilated into regular SMEs or non-profits. Designing effective support is challenging when the eligible beneficiaries are not clearly identified in law. Some governments are now attempting to pass framework laws, as with the “Law on Social Business” in Lithuania (see Box 4.2) (European Commission, 2023[53]).

Co-ordination across ministries and government levels remains challenging for policymakers. The social economy cuts across labour, social affairs, the economy, and other ministries. Without clear co-ordination, one ministry’s SME programme might exclude social economy entities, while another ministry might have small grant schemes for non-profits, resulting in a disjointed landscape. The OECD’s Recommendation on the Social and Solidarity Economy and Social Innovation (OECD, 2022[54]) highlights the importance of clarifying government responsibilities and establishing one-stop-shop support structures. Only a few Member States (such as Spain, France, and Luxembourg) have central co-ordination units for social economy policy – others are still developing these.

Box 4.2. Lithuania – Legal definition gaps hindering national support

Lithuania illustrates how a narrow legal framework can pose challenges for national support of the social economy. As of 2021, Lithuania’s law attributed “social enterprise” status mainly to work integration social enterprises (WISEs) employing disabled people, under legislation dating back to 2004. While this law allowed the government to channel wage subsidies and tax breaks to those WISEs, it left out a broader universe of social economy actors – such as community co-operatives, social startups in environmental sectors, or civic initiatives – which legally fell under general NGO or SME categories. National support programs, consequently, struggled to reach the broader social economy. For example, a social co-operative providing community childcare might not qualify for SME innovation grants (since it’s non-profit), nor for WISE support (since it doesn’t meet the strict criteria), effectively slipping through the cracks.

Recognising this challenge, the Lithuanian government drafted a new “Law on Social Business” to expand recognition to a wider range of social economy entities. However, progress has been slow, and until a comprehensive law is adopted, national policy remains piecemeal. This situation has hampered national initiatives: Authorities find it difficult to design targeted support or fiscal incentives when the target group is not clearly defined in law. It also creates confusion – social entrepreneurs are unsure which support they are eligible for, and some traditional SME support providers are unsure whether to adapt their services. Lithuania’s case underlines a fundamental challenge for national governments: Establishing a clear, inclusive policy framework so that support measures can be effectively tailored to all social economy entities.

Source: European Commission (2023[53]).

Scaling up funding to meet sector demand poses a structural challenge for national programmes, as EU-backed pilots often lack sustainability once project grants expire. Dedicated funding for the social economy remains relatively limited in many state budgets. This funding gap poses a challenge to the sustainability of support programmes. For instance, a national fund for social innovation pilots may be launched using EU recovery funds, but questions arise on how to maintain financing after EU project timelines (Hüsken et al., 2024[55]). Additionally, making sure national programs reach local grassroots organisations (not just well-established social economy entities) is an ongoing concern. There can be an urban bias in uptake of national schemes, as social economy entities in remote or rural areas find it challenging to access central support due to distance or lack of information (Olmedo, van Twuijver and O'Shaughnessy, 2023[56]). Overcoming these access barriers through outreach or decentralised delivery remains a challenge for national agencies.

Balancing flexibility with accountability in public funding is a recurring issue, particularly when social economy entities need patient support. Social economy projects may pivot as social needs change, which doesn't always fit into government funding criteria. Funding criteria that value social impact and enterprise viability equally is complex. An interesting example comes from Hungary, where the government, informed by an Interreg project, adjusted a national grant scheme ("MarketMate") to include new pre-qualification criteria focusing on social impact alongside business viability (OECD, 2023[57]).

Subnational level

Many municipalities or regions, especially in remote areas, have constrained budgets and few personnel dedicated to economic development, let alone specialised social economy units (Bourdin and Jacquet, 2025[58]). Thus, even if a city recognises the value of social economy entities (for job inclusion or service delivery), it may struggle to allocate funding for grants, incubation spaces, or staff to liaise with the sector. This can result in well-meaning local strategies with modest impact due to underfunding (European Investment Bank, 2025[59]).

Box 4.3. Italy – Emilia-Romagna's challenge in adapting skills programs to social economy entities

Emilia-Romagna, a northern Italian region, provides a case of a subnational authority addressing the challenge of integrating social economy entities into mainstream economic programs. The challenge was twofold: Social economy entities in the region lacked managerial skills and innovation training, yet the existing ESF calls did not attract these organisations – either because they were unaware, or the call criteria didn't fit social enterprise profiles.

ART-ER, the Emilia-Romagna joint stock consortium company, supported the region in adjusting an ESF-funded call titled 'Skills for Social Innovation' through its participation in the Interreg Europe RaiSE project. This was done to better support social economy entities. It was realised that these entities needed outreach and possibly tailored criteria in order to compete for funding. The challenge for the region was to promote social enterprise participation without creating a separate, duplicative programme. They modified the call's guidelines to explicitly encourage projects led by or serving social economy entities, and relaxed requirements such as co-funding levels and profit-based indicators that had unintentionally favoured traditional firms. Despite these changes, uptake was initially slow – many social economy entities had no experience of applying for ESF calls.

In response, the region hosted information sessions and engaged with local social economy networks to spread the word. Over time, a higher number of social cooperatives and associations applied for the adjusted programme, seeking support to train their staff in business planning, digital skills and impact measurement. Over the next few years, the Emilia-Romagna Region changed its approach to social economy and social innovation, and the ecosystem gradually became broader and richer, incorporating new actors and sectors. In 2023, the region started a co-design process with ART-ER for the establishment of a Research and Social Innovation Hub, involving local stakeholders, with the aim of creating a platform for the co-design of social innovation policies. Today, the Hub comprises 57 organisations representing the entire ecosystem, including social enterprises.

Since 2024, ART-ER has been a partner in the Interreg Europe project RESEES, which is dedicated to strengthening the capacity of the social economy and its stakeholders. As part of this project, ART-ER is working with the Emilia-Romagna Region's Productive Activities sector to develop a roadmap to improve the 'Social Innovation Projects Call' (Measure 1.3.5. PR ERDF 21-28). The Emilia-Romagna experience highlights a broader local challenge: adapting existing support instruments to the realities of the social economy. This often requires procedural flexibility, dedicated outreach and sustained effort to help fledgling or under-resourced organisations develop the institutional knowledge, skills and systems required to engage with formal support mechanisms.

Source: Borzaga (2020[60]).

Funding streams and state-aid rules may limit local innovation by risk-averse municipalities. Local initiatives often depend on national or EU funding. If higher-level funding streams are rigid or not aligned with local needs, it constrains what can be done. Additionally, bureaucracy and state aid rules can impede local innovation. Public officers at municipal level might fear that offering preferential treatment (like a rent-free space or a reserved contract) to social economy entities could violate procurement or competition rules (European Parliament, 2023[61]). Interpreting these rules in a socially proactive way is a challenge, as many local governments prefer to be cautious, which can stifle support for creativity. The EU guidance in the Social Economy Action Plan, encouraging the use of socially responsible public procurement, is helpful, but it takes time and training for local procurement officials to adopt these practices (European Commission, 2021[62]).

Stakeholder engagement mechanisms are still underdeveloped. The social economy thrives on partnership, but local governments might not have established processes to co-create policies with co-operatives, associations and citizens. Engaging a wide array of stakeholders in programme design can be challenging due to power imbalances or a lack of experience. Regions that have set up structured dialogues or councils (like the Social Economy Promotion Council in some Spanish regions) have had to invest effort to sustain meaningful participation. In places without such tradition, public officials may design support programs in isolation, which risks undermining effectiveness. Additionally, measuring the impact of social economy initiatives at local level is challenging but necessary to justify ongoing support (OECD, 2025[8]). Many local governments lack data on how social economy entities improve social inclusion or save public money. Developing impact evaluation methods can highlight the economic and social benefits and even potential cost savings that social economy initiatives bring to subnational governments (Cunha, Alves and Araujo, 2024[63]).

Transferring successful business support programmes for the social economy from one locality to another is often thwarted by legal, institutional and contextual differences. There are good examples of city-level support (e.g. Barcelona's robust strategy for the social and solidarity economy, or Bologna's co-design labs for social innovation), but transferring these models to other cities or rural regions is not easy (OECD, 2025[8]). Each locality has different legal competencies and stakeholder landscapes. For instance, a small town may not have any social finance institution, making it hard to implement a local social business loan scheme even if desired.

Barriers to business support for the social economy by the private sector

While impact investing and social finance have grown in Europe, they are still niche compared to mainstream venture capital or banking. Convincing private investors to accept lower financial returns in exchange for social impact remains challenging (Luz, Schauer and Viehweger, 2024[64]). Many social economy entities report that banks and investors apply the same risk-return expectations to them as to conventional firms, which can lead to financing rejections due to lower profitability. This highlights that mainstream financiers often lack understanding and impact assessment tools to evaluate social business models (Nachyła and Justo, 2024[65]). As a result, national social finance intermediaries (e.g. social investment funds, ethical banks) carry a heavy burden but have limited scale. They also face the challenge of blending public and private funds to share risk, something that requires complex arrangements and trust-building between sectors.

Reaching grassroots enterprises with private support programmes remains limited, especially in rural areas or among mission-driven ventures led by women or underrepresented groups. For example, a large corporation might run a national social enterprise accelerator or grant competition (as some European banks and firms do), but making sure that grassroots social entrepreneurs across all regions know about and can access these opportunities is not straightforward. Private programs sometimes concentrate in capital cities or rely on digital applications, which can leave out those without the savvy or networks to apply (Toukola and Ahola, 2022[66]). Diversity and inclusion in these programs (e.g. reaching social economy entities led by women, or in less urbanised regions) remain ongoing difficulties. Additionally, private actors supporting the social economy must balance their own objectives with the needs of the social economy entities. A corporate sponsor may prioritise certain thematic areas (digital innovation for good) that not all social economy entities align with, potentially skewing support towards those that fit the corporate strategy rather than those with highest community need (Park and Kim, 2020[67]).

Box 4.4. The NESsT CEE Accelerator – Mobilising private capital in emerging markets

In Central and Eastern Europe, nurturing a social investment ecosystem has been particularly challenging. A recent example is the NESsT CEE Accelerator, a program targeting social enterprises and socially-impactful businesses in Poland and Romania which was launched by NESsT (an impact investment NGO) with corporate partners like IKEA Social Entrepreneurship and Cisco Foundation. The challenge addressed by this initiative is illustrative: although Poland and Romania have growing numbers of social enterprises tackling issues of poverty and job inclusion, the supply of private capital and business support for these enterprises is very low. Mainstream investors in these countries rarely fund social businesses, and local banks have little experience offering “patient” loans.

The NESsT CEE Accelerator seeks to mobilise private capital by blending it with philanthropic and corporate funds – providing patient, equity-free financing alongside tailored mentorship. Despite its innovative design, the program faces ongoing work in building awareness among social enterprises (many have never engaged with investors) and engaging local corporate mentors. As part of this learning process, the due diligence process had to be adapted (since traditional investment criteria didn’t fit), and NESsT works closely with IKEA and other corporate partners on evaluating social impact and business performance.

Furthermore, convincing private investors to eventually step in remains an uphill battle. Early-stage social enterprises often need multiple rounds of concessional support before they become attractive to commercial funders. The CEE experience underlines that private initiatives in nascent markets must overcome not only the lack of investor familiarity but also the low density of investment-ready social enterprises, creating a classic chicken-and-egg scenario. NESsT and similar actors play a crucial intermediary role, but scaling such efforts requires broader buy-in from the private sector which is still a work in progress.

Source: NESsT (2025[68]).

Market integration of social economy entities depends on changing corporate culture. One goal of many private support initiatives is to link social economy entities with traditional markets – for instance, through corporate procurement or supply chain inclusion (Serres, Hudon and Maon, 2022[9]). However, internal resistance or inertia within large companies can impede such efforts. Procurement officers might be hesitant to change suppliers to social economy entities due to perceptions of higher risk or simply lack of knowledge. Private networks advocating for social procurement, like national CSR forums, encounter the challenge of shifting corporate culture to value social outcomes. Similarly, organisations like national chambers of commerce or industry associations are just beginning to open up to social economy entities; integrating these new players into established business networks is slow. The lack of a common impact measurement standard is another issue that private supporters grapple with. Investors and companies often find it challenging to quantify the social return on investment, which can make it harder to justify or optimise their support for social economy initiatives (Nielsen, Lueg and Van Liempd, 2020[69]) (OECD, 2020[13]).

Local private and community-led initiatives fail to achieve scale, as they depend on a few key champions and face challenges in financial sustainability. Grassroots social economy support networks often rely on a few passionate individuals or organisations. This can make them fragile, and if key people move on or funding ends, the initiative may stall (Brzustewicz et al., 2022[70]). Unlike national or corporate programmes, local private initiatives may lack formal structure or steady income, which threatens their longevity. For example, a community co-working space for social innovators might initially be launched with a grant and run by volunteers. The challenge becomes how to make it financially self-sustaining in a community that may have limited paying capacity.

Limited links across sectors and geography undermine the potential for collective support. While the social economy ethos encourages co-operation, on the ground, local social economy entities can be dispersed or siloed by sector (Steiner, Calò and Shucksmith, 2023[71]). A city may have separate networks for cultural associations, work integration co-operatives or for other entities, which may not naturally collaborate. A private local initiative aimed at supporting the social economy needs to bring these sub-communities together, which can be difficult.

Formal collaboration between grassroots initiatives and municipalities is not being developed. A related challenge is demonstrating impact locally to stakeholders. While national programmes might use broad statistics, a local initiative might need to show its direct benefit (e.g. how many social economy entities were created in town, how many people got jobs) to secure ongoing community support (CAN Europe, 2025[72]). Gathering such data and stories is not always straightforward, especially for volunteer-run efforts that lack monitoring and evaluation expertise.

Access to broader knowledge networks remains a barrier for subnational private schemes. Local private initiatives might not have access to best practice examples or networks beyond their locality. EU-level projects and networks (like REVES or Social Economy Europe's regional exchanges) attempt to share models, but small grassroots groups may not partake due to language or capacity barriers. This means some local private support stays rudimentary (i.e., limited to informal advice or meet-and-greet events) rather than evolving into more sophisticated services like incubation or financing (European Investment Bank, 2024[73]).

Options for policymakers and the private sector to strengthen business support for the social economy

When developing business development support for social economy entities, such support needs to be:

- **Accessible**: the variety of support services should be provided, in both urban and rural areas.
- **Adapted**: because social economy entities seek to combine financial sustainability with maximising social impact
- **Affordable:** social economy entities might not easily afford to pay for support services. Therefore, smart pricing mechanisms, costs and third-party financing may be required.

This section sets out policy orientations to reinforce the social economy across the EU, drawing upon best practices. As shown in Table 4.3. , it is structured around national and sub-national, public and private roles and entails dedicated strategies and institutional co-ordination, supportive legal recognition, tailored financing, inclusive SME support, socially responsible procurement, skills development, co-production models and monitoring systems that are data-driven and capable of adaptation to evolving conditions.

Table 4.3. Policy orientations to strengthen business support for the social economy

Sector / Level	Public sector	Private sector
National level	• National strategies • One-stop shops • Eligibility for existing support • Tailored financial support • Benefit from general business support • Socially responsible public procurement • Skills and knowledge development • Dialogue (public, private, civil society actors)	• Investment vehicles • Value chains and CSR strategies integration • Cohesive support services provision • Social impact criteria in decision-making • Consortia to achieve economies of scale • Social economy support through communities • Social enterprise integration into the local culture • Digital tools to overcome limitations • Target underserved populations
Subnational level	• Local development plans • Procurement practices orientation • Local support centres • Local solutions co-production • Indicators and evaluation processes	

At the national level

A strategy or action plan for the social economy at the national level helps address fragmentation by providing a unified framework for support measures. Strategies set a vision with measurable objectives (e.g. improving social economy entities' access to finance, increasing employment of disadvantaged groups) and co-ordinate policy across ministries. They need to be developed in consultation with social economy stakeholders and updated regularly to remain relevant. National strategies can also map existing support and identify gaps to fill (e.g. lack of incubators or finance in certain regions). This is the case of the two Spanish Social Economy Strategies (2017-20 and 2023-27), co-designed with social economy stakeholders and various ministries. It is seen as a milestone that provides a unified framework for the sector, giving greater visibility and aligning efforts towards shared objectives (Ministry of Labour and Social Economy (Spain), 2023[74]).

Clear responsibility for social economy policy and "one-stop shop" bodies make it easier for social entrepreneurs to navigate available support, thereby tackling the co-ordination challenge. This could be a national Social Economy Agency or an online gateway that centralises information on funding, training, legal advice, and market opportunities for social economy entities. Launched in 2023, the EU Social Economy Gateway acts as a one-stop-shop to provide social economy entities with centralised information and resources on funding, training opportunities, events, country-specific support (EU Social Economy Gateway, 2024[75]).

Policymakers and support organisations could use the Better Entrepreneurship Policy Tool (BEPT) to assess their current social economy framework, identify gaps, benchmark against good practices, and align their policies accordingly. As a joint online self-assessment and guidance platform, the BEPT includes a dedicated social entrepreneurship module, guidance notes on the dimensions of culture, institutions, finance, markets and impact, and a questionnaire that helps jurisdictions identify gaps and benchmark their ecosystem for the social economy (Better Entrepreneurship Policy Tool, 2023[76]).

If current laws are too narrow (e.g. only WISE are recognised), it could be particularly useful to broaden their scope to include a wide range of social economy models. Additionally, legal frameworks can provide advantages such as simplified registration, partial tax exemptions, or the ability to receive preferential public contracts. Incorporating a legal status for social economy entities with clear social impact and reinvestment criteria into company law enables easier identification and targeted support. Defining and clarifying criteria also tackles the confusion that complicates support provision. In Belgium, the 2019 national Companies and Associations Code (CAC) allows co-operatives to apply for 'social enterprise' status if they pursue a general-interest mission and agree to strict reinvestment rules (Federal Public Service Economy Belgium, 2019[77]).

Establishing or scaling up social investment funds, guarantee schemes, or credit lines dedicated to social economy entities can help bridge funding gaps. Using EU instruments like InvestEU guarantees can encourage banks to lend more to the social economy by derisking such loans (InvestEU, 2024[78]). Governments can also offer tax incentives to investors providing patient capital to social economy entities. Another key measure is supporting the growth of impact finance by, for instance, co-investing in impact venture funds or setting up outcome payment frameworks for projects by social providers. By improving financial support, governments address the challenge of capital access and help social economy entities scale their impact. In Spain, the government launched a Social Impact Fund in 2024 with a budget of EUR 400 million from EU recovery funds, co-investing alongside private capital to provide tailored financing for social enterprises (President of the Government of Spain, 2025[79]).

To provide social economy entities with the same benefits from general business support, national programmes for SMEs, startups and innovation could be adjusted to include social economy criteria. For instance, innovation grants or accelerators could explicitly encourage applications from social economy entities if applicable and adapt selection criteria to recognise social impact alongside commercial potential. National export promotion agencies could add services for social economy entities (as seen in Catalonia, Spain), and digitalisation initiatives (such as national digital skills training for SMEs) could target social economy entities as well. This "inclusive mainstreaming" allows social economy entities to be included in the larger pool of business resources, rather than being on a separate track (European Commission, 2021[80]). It addresses the challenge of parallel siloed support by building capacity and competitiveness of social economy entities within existing structures.

Achieving greater visibility and consumer recognition, while also expanding access to wider markets, requires providing guidance and, where feasible, setting targets or requirements for contracting authorities to integrate social considerations into procurement processes. It involves encouraging the use of reserved contracts for social economy actors in certain services or adding criteria that reward bidders delivering social inclusion or community benefits. National policy can also support the creation of "social marketplaces" or labels. These measures orient support toward creating demand for social economy products and services, thereby addressing the market access challenge. For example, in Valladolid (Spain), 8-10% of its public contracts are reserved for work-integration social economy entities and sheltered workshops, guaranteeing a stable market for social economy products and services (European Commission, 2020[81]). The EU Social Economy Gateway's focus on socially responsible procurement also promotes these approaches more broadly, providing guidance, tools and case studies to help public and private buyers integrate social considerations into procurement practices across Europe (EU Social Economy Gateway, 2025[82]) (European Commission, 2020[83]).

An important step toward attracting talent and mitigating the capacity deficit challenge is to fund training programmes, management scholarships, and exchanges targeted at social entrepreneurs and their staff. For example, national training vouchers or an entrepreneurship curriculum tailored for social economy entities can be established. Since 2021, the RÉALIS programme in Occitanie has been supporting committed social economy entities through training, specialised mentoring and monitoring on topics such as shared governance and impact measurement, which helps to strengthen the region's skills in the social economy (Région Occitanie, 2024[84]). Additionally, fostering research and data collection on the social economy (e.g. via observatories or partnering with universities) can produce evidence of impact and needs, guiding better support.

The facilitation of regular dialogue and partnership between public, private, and civil society actors around social economy development fosters ecosystem-building. By involving multi-stakeholder consultation bodies, policies and support schemes can tap into the expertise of the social economy community. Moreover, encouraging partnerships means supporting networks by, for instance, funding national federations or networks that provide support services to their members. Overall, a collaborative ecosystem where knowledge is shared and roles are clear – i.e., public sector providing an enabling environment, private sector and civil society delivering support on ground – is more resilient and effective. As an example, Luxembourg's Ministry of Labour launched in 2024 working groups to develop a national strategy for the social economy and social innovation (Portail de l'Économie Sociale et Solidaire, 2024[85]).

At the subnational level

Regional and municipal authorities can explicitly incorporate social economy development as a pillar in their economic strategies. This could take the form of dedicated chapters in regional development plans or stand-alone local social economy strategies. Key elements include mapping local social economy actors, setting targets (e.g. number of new social economy entities to be created, sectors to be developed), and aligning local resources to support these targets. For example, Barcelona's City Council co-created a Social and Solidarity Economy Strategy for 2030 that mapped hundreds of SSE actors and set concrete growth objectives, embedding social economy firmly in the city's development agenda and supporting long-term initiatives like a permanent social enterprise incubator (Ajuntament de Barcelona, 2022[86]).

Local governments can orient their procurement practices to support the social economy. This includes adopting "social clauses" in tenders – requiring or rewarding inclusion of target groups (workers with disabilities, long-term unemployed, etc.) by bidders – and setting aside certain contracts for social economy entities and co-operatives where allowed. Local councils can also practice "community commissioning," co-designing services with social providers and users. Training procurement officials in these practices is also crucial, as is sharing model clauses and success stories to build confidence. By redirecting a small percentage of city/regional procurement to social economy providers, authorities generate stable income streams for them, directly addressing market access challenges. The Banská Bystrica Self-Governing Region in Slovak Republic piloted the use of reserved public contracts in 2021 for school catering, meaning only registered social economy entities or sheltered workshops could bid to supply local canteens; this led to a network of 11 new local social suppliers (co-operatives and farms) and created 19 jobs in its first year of implementation (Interreg Danude Region, 2024[87]).

Subnational authorities can create local support centres acting as one-stop shops at the city or regional level. These hubs can offer business development services, networking, and signposting to funding opportunities. Crucially, they need to be tailored to local context. For instance, a rural region's hub might focus on co-operative agriculture and multi-stakeholder community enterprises, whereas an urban hub might emphasise tech social startups and creative social businesses. Municipalities can also provide spaces and infrastructure by offering unused public buildings at nominal rent for social enterprise co-working or retail (as some cities do with "social enterprise zones"). Advertising these centres and connecting them to national resources will help maximise their effectiveness. Local hubs embody the idea of bringing support closer to beneficiaries and can significantly reduce barriers to entry for new social entrepreneurs. As an example, the city of Athens repurposed its historic Kypseli Municipal Market into a social enterprise hub managed by a non-profit organisation. After reopening in late 2018, the city provided the renovated space rent-free for five years, and within one year the market housed numerous social businesses, hosted 68 community events and created 37 local jobs, turning an unused public building into a thriving social economy zone (Impact Hub Athens, 2021[88]).

Another avenue for support to explore could be to involve social economy actors in co-producing public services and local solutions. This entails setting up permanent multi-stakeholder forums or councils where social economy entities, co-operatives, citizen groups and businesses sit together with local officials to identify community needs and design initiatives. For example, a city might have a Social Economy Council that meets regularly to guide how the city can support and leverage the social economy in tackling issues like homelessness or environmental goals. Additionally, local authorities can support the creation of community-led enterprises such as energy co-ops or community development corporations by providing seed funding and technical help. Embracing co-production addresses the challenge of low stakeholder involvement, helping support measures become finely tuned to real needs. The Croatian city of Križevci partnered with a local energy co-operative in 2020 to co-produce a 50 kW solar power plant on a municipal building roof through a citizen crowdfunding scheme. The city provided administrative support and guarantees to repay community investors from energy savings, enabling residents (including marginalised groups) to co-own a renewable energy project that serves local needs (REScoop, 2025[89]).

Developing simple indicators and evaluation processes at local level can help to track the outcomes of social economy support initiatives. Examples include the number of jobs created, people trained, or services delivered. The broader social impact, such as inclusion or reduced public expenditures through preventive action, also needs to be considered. Collaborating with local universities or using participatory evaluation methods can be useful for publicising success stories and impact data, thereby building public and political support (Servin et al., 2025[90]) (OECD, 2023[91]).

For private sector-based business support

Private financial institutions are key in developing and scaling investment vehicles that could support social economy entities. Banks can create specialised loan products with flexible terms (longer grace periods, lower collateral) for social businesses, potentially backed by guarantee schemes. Impact investors and philanthropies can collaborate to establish funds offering patient equity or revenue-based financing to social economy entities. Large institutional investors could allocate a portion of their portfolios to impact funds, with government incentives as catalysts. This endeavour tackles funding gaps by mobilising private capital. For example, in 2024, a Danish impact investor launched Den Sociale Kapitalfond Invest II, a EUR 90 million social innovation fund co-financed by pension funds and a public investment bank, to provide patient growth capital to social economy entities (Den Sociale Kapitalfond, 2024[92]). The private sector could also push for standardising impact measurement, using frameworks like IRIS+ or ESG metrics, to build confidence in investing in social outcomes, addressing the risk perception challenge.

Corporations and conventional businesses can integrate the social economy into their value chains and CSR strategies. Corporations can commit to sourcing a percentage of goods or services from social economy entities (e.g. a food retailer sourcing from social farming co-ops). They can also offer their expertise through mentorship programs, secondments, or pro-bono services to social entrepreneurs. Business associations and chambers at the national level could open membership to social economy entities and create forums for exchange to break down barriers between traditional and social business communities. Moreover, corporate foundations can focus grant programs on capacity-building for social economy entities, moving beyond charity to strategic social investment. For example, IKEA's Social Entrepreneurship programme partners with social businesses in its value chain. In 2024, it collaborated with 11 social economy entities and supported 104 social ventures across 2 countries to co-create products that generate livelihoods for marginalised communities (IKEA Social Entrepreneurship, 2024[93]).

Private actors, especially national networks (NGOs, think tanks, academic centres), can enhance collaboration to provide cohesive support services. Establishing "centres of excellence" or online portals by private sector coalitions (with case studies, toolkits, databases of support programmes) can address the information asymmetry and help social entrepreneurs find the help they need. This is the case of Italy's Forum del Terzo Settore, acting as a single umbrella network for social economy associations, co-ordinating advocacy and support services for social economy entities across the country (Borzaga, 2020[94]).

Traditional businesses and investors can embed social impact criteria into their decision-making to adopt social impact considerations and reporting. For instance, banks can incorporate social impact scoring when evaluating SME loan applications (potentially giving favourable terms to those with positive impact), and investors could report the social outcomes of their portfolios. This creates an environment where doing business with social economy entities is valued. National industry codes or principles for responsible investment that explicitly include social economy engagement can also formalise this. As more companies embrace ESG (Environmental, Social, Governance) standards, affirming that the 'S' includes partnering with or supporting the social economy is a smart orientation. For example, an InvestEU guarantee enables Triodos Bank to lend to social entrepreneurs at reduced interest rates and collateral, rewarding positive social impact across the Netherlands, Belgium, Spain and Germany (European Investment Fund (EIF), 2023[95]).

Community actors and local businesses can form networks or consortia to achieve economies of scale and mutual support. For example, forming local consortium co-operatives or associations that jointly market products, share back-office services, or bid for larger contracts can greatly enhance the viability of individual social economy entities. This orientation addresses the fragmentation challenge by pooling resources, as a group of social economy entities in a region could, for instance, create a shared training academy or a joint financing vehicle through a credit union. Encouraging the creation of local umbrella groups can institutionalise these networks. Such networks also provide a unified interface to interact with local authorities and national bodies. In Italy, the Sale della Terra consortium in Campania brings together multiple social co-operatives to pool their resources and co-ordinate services. It provides shared administrative support, training and credit access to member co-ops, offers political representation, and even acts as a general contractor to jointly bid on public tenders that would be too large for a single co-operative (Action Research for Co-Development, 2021[96]).

Local private sector, including large employers like hospitals, universities, and factories, can commit to supporting the social economy in their community. Local chambers of commerce or SME associations can play a role by promoting business-to-business linkages where mainstream firms subcontract work to social economy entities. In 2022 the city of Poznań (Poland) launched an Anchor Institutions Network that brings together its major universities, large companies (such as Volkswagen), municipal agencies and community organisations to collaborate on local development – a key focus is to co-ordinate procurement and supply chains so that these anchors increase sourcing from local social economy entities and co-operatives. Through this network, anchor institutions in Poznań have started jointly designing procurement criteria and community projects to channel more business toward social economy providers, demonstrating the private sector's role in local social value creation (Urbact, 2022[97]).

Key players in embedding social enterprise in the local culture include civil society groups, schools and local businesses. This entails, for instance, social entrepreneurship modules in school curricula or local youth programs, organising community idea competitions for social innovation, or celebrating local social entrepreneurs through awards. Local media or sponsors can help highlight success stories to the wider community. Senior entrepreneurs in a community can also mentor emerging social entrepreneurs, fostering inter-generational knowledge transfer. Essentially, cultivating a supportive culture at the grassroots level helps build a pipeline of new social economy initiatives and broad-based buy-in. Over time, a culture that values social economy entities as much as any business will ease many of the soft challenges (like stigma or misunderstanding) that the social economy faces, especially in areas where it's not well known (Jungsberg et al., 2020[98]).

Local private initiatives can leverage digital tools to overcome geographic and resource limitations. This could be achieved, for instance, by creating local online marketplaces (as seen in Flanders with People Made) to improve market access, or by using social media groups for knowledge exchange among social entrepreneurs in a rural area. Embracing innovative models like time-banking, co-operative platforms, or community crowdfunding can mobilise new resources and participants. A town could also start a local "social venture crowdfunding" festival, with residents directly funding and voting on projects. Additionally, local support actors can connect virtually with other regions to learn and share. By being tech-enabled and innovative, subnational private support can punch above its weight, mitigate isolation, and tap into the collective intelligence of the wider social economy movement. In Belgium, the Flemish social economy sector launched the People Made online marketplace to showcase and sell products created by local social economy entities. It functions as a digital platform where a network of social economy organisations (e.g. upcycling workshops, circular economy initiatives) can reach consumers beyond their immediate locality, thereby significantly expanding market access for small social economy entities (Van Opstal, Pals and Sangers, 2025[99]).

Finally, as private and community actors build the social economy locally, they need to include diverse voices and target underserved populations. This means creating opportunities for women, youth, migrants, and marginalised communities to lead and benefit from social enterprise development. For example, a local social enterprise incubator could run cohorts specifically for migrant entrepreneurs or people with disabilities, providing tailored support. Community foundations and NGOs can provide micro-grants or mentoring to those groups to encourage their initiatives. Cultivating inclusive growth in the social economy will maximise its social impact and help address equity challenges that mainstream economic development often leaves behind. For example, the SINGA social incubator network has expanded across France and Germany to support refugee and migrant entrepreneurs at the city level. By 2022, new SINGA chapters in cities like Nantes and Lille were offering dedicated training programmes, mentoring and seed funding to hundreds of newcomer entrepreneurs, resulting in successful migrant-led start-ups that would likely not have emerged without such inclusive support (SINGA Global, 2025[100]).

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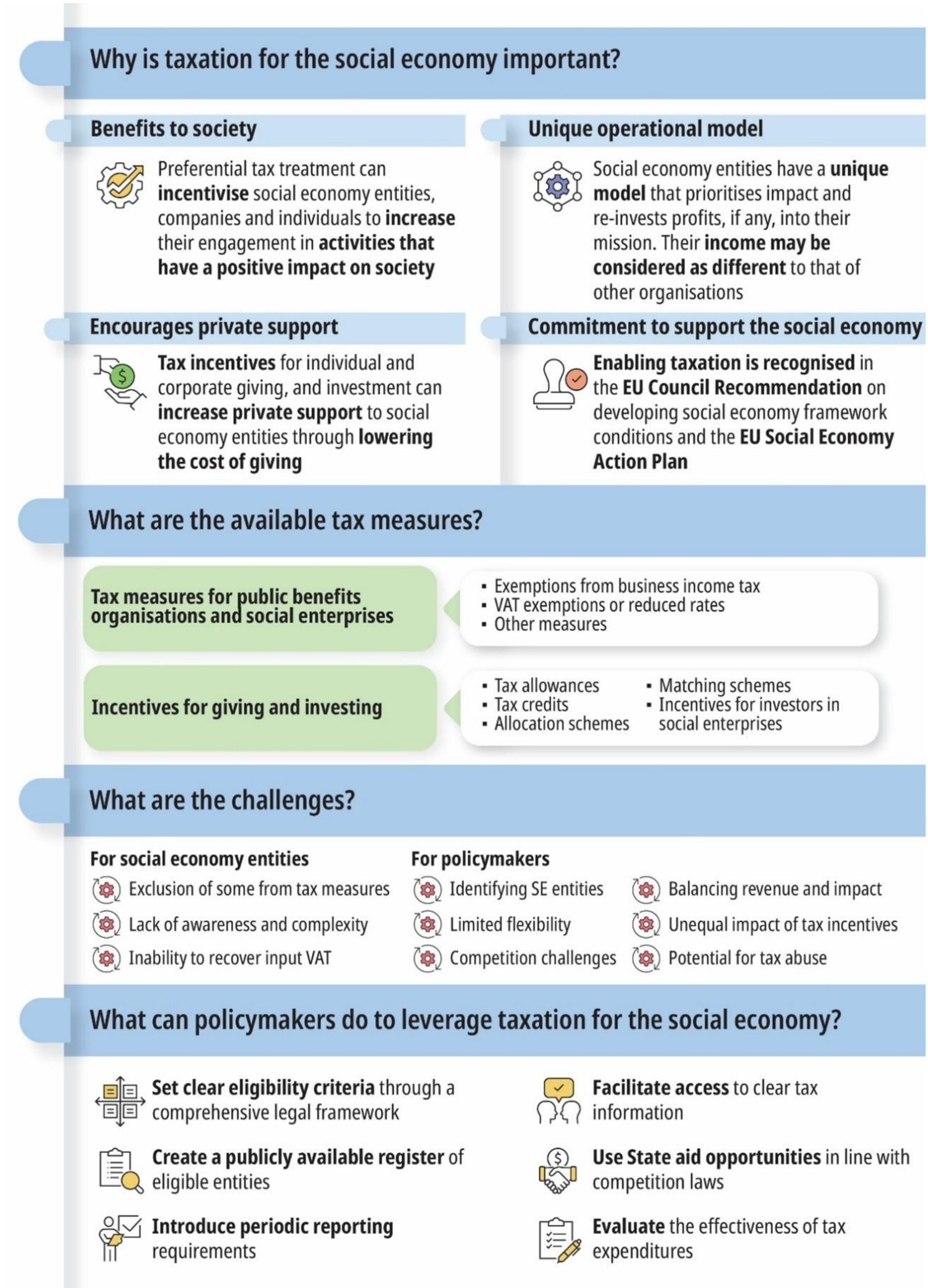
5 Taxation to support the social economy

Tax policies can be used to increase the impact of social economy entities by incentivising them to engage in activities with a social and/or environmental purpose. They include tax measures aimed at social economy entities and incentives for giving and investing. This chapter provides an overview of some tax measures available to social economy organisations in EU Member States, outlines some challenges associated with tax policies for the social economy and proposes some policy orientations to leverage taxation for the social economy.

Infographic 5.1. Taxation to support the social economy



Introduction

What is taxation for the social economy?

Taxation for the social economy refers to how governments design and implement tax policies for organisations within the social economy, in particular, co-operatives, mutual societies, associations, foundations and social enterprises. These entities are generally motivated by social goals such as community development, social inclusion and/or sustainability, while also creating jobs and providing goods and services. Their governance and activities require them to reinvest surpluses or profits in their purpose, often also locking assets. Since they operate differently from traditional businesses and enterprises, taxation often needs to be adapted to reflect those differences and support societal missions.

Tax measures for the social economy typically include preferential treatment of public benefit entities and/or social enterprises and incentives for financial support directed towards them. They can take several forms that are summarised in Table 5.1. In the context of this chapter and the taxation section of the country notes, 'preferential tax treatment' refers to a wide range of differentiated tax measures available to social economy entities (aimed either at the entities themselves or products and services provided by them) that constitute a more advantageous tax treatment compared to the generally applicable tax rules in the rest of the economy. The term "preferential tax treatment" is used synonymously with the terms "tax benefit" and "tax advantage".

Table 5.1. Types of tax and other incentives for the social economy in EU Member States

Tax measures for entities	Tax and other types of incentives for financial support
Exemptions of all or specific income from business income tax	Tax allowances
VAT exemptions or reduced rates	Tax credits
Exemptions from or reductions in social security contributions for hiring disadvantaged workers (e.g. persons with disabilities)	Allocation schemes
Exemptions from or reductions in gift and inheritance taxes	Matching schemes
Other measures	Incentives for investors in social enterprises

Why is taxation for the social economy important?

Leveraging taxation for the social economy can support it in many ways. By offering tax measures, governments can recognise the unique social and economic role of the social economy, encourage donations and investment, and level the playing field with other businesses. At the same time, well-designed taxation policies can help these organisations contribute to broader strategic policy goals such as job creation, social cohesion, provision of services in rural/remote areas, care and housing, while ensuring fairness and preventing misuse.

Can encourage activities with positive externalities

Preferential tax treatment of social economy entities or incentives for financial support to them may be considered because of their positive externalities. The main features of social economy entities, such as prioritisation of impact and democratic governance, make these organisations likely to have positive social and sometimes environmental impacts that go beyond their members and shareholders (Rousselière, Bouchard and Rousselière, 2024[1]; Iodice and Bifulco, 2025[2]; Potluka, 2021[3]). Tax policies for the social economy can encourage social economy entities to engage in more activities with positive impacts on society.

Can consider the unique operational model

Social economy entities have a unique operational model that prioritises impact and reinvests surplus/profits, if any, into their mission. As a result, some countries may consider their income to be different to that of other organisation types and may consider it to be exempt from tax. For example, donations or membership payments are different in nature to income derived from selling goods or services. If social economy entities engage in economic activities, the profits from their activities are usually reinvested into their social mission and therefore might not be comparable to profits distributed to shareholders. Deductible costs might also differ for social economy entities. For instance, non-regular post-disaster relief spending by a charity is not the same as ordinary and regular business expenses (OECD, 2020[4]).

Can encourage private support

Tax incentives can encourage private support from individuals and corporations to social economy entities. Tax incentives for individual and corporate giving and investment can increase private support to targeted organisations by lowering the cost of giving (Almunia et al., 2020[5]; OECD, 2020[4]).

Can show commitment to support the social economy

Implementing tax policies can show commitment to support the social economy. The importance of enabling taxation frameworks is highlighted in the EU Council Recommendation on developing social economy framework conditions and the EU Social Economy Action Plan (Council of the European Union, 2023[6]; European Commission, 2021[7]). All Member States have preferential taxation measures for at least some social economy entities. However, not many have introduced taxation measures targeted at the social economy (European Commission, 2023[8]).

Challenges associated with taxation for the social economy

Despite the potential of taxation to increase the impact of the social economy, a number of challenges are associated with tax measures for the social economy. Challenges for social economy entities include: (i) tax measures excluding some social economy organisations; (ii) lack of awareness and complexity; and (iii) inability to recover input VAT. Challenges for policymakers include: (i) identifying social economy entities; (ii) balancing the need for government revenue generation with maximising the impact of social economy entities; (iii) limited flexibility; (iv) unequal impact of tax incentives for giving; (v) competition challenges; and (vi) potential for tax abuse.

This chapter provides an overview of some taxation measures available to social economy entities in EU Member States, analyses their challenges and provides policy orientations. It is based on extensive research that was complemented by a survey distributed to the Commission Expert Group on the Social Economy and Social Enterprises (GECES) and a network of legal experts from November 2024 to March 2025.[1]

What are the available tax measures for the social economy?

All EU Member States have introduced preferential tax measures available to at least some entities in the social economy. These measures are usually aimed at entities with a public benefit status that engage in some worthy purposes and/or organisations with a social enterprise status. The preferential tax treatment available to social economy entities can be broadly classified into two categories: (i) measures for entities (including income tax exemptions, VAT exemptions or reduced rates and other measures) and

(ii) measures for individual and corporate giving and investing (including tax allowances, tax credits, allocation and matching schemes, and incentives for investing into social enterprises).

Eligibility for tax measures

Worthy purpose and public benefit requirements

Most EU Member States have introduced preferential tax treatment for entities engaging in activities with a worthy purpose and/or benefitting the public, not just their members. In almost all EU Member States, a public benefit status is available to a range of legal forms (exception: in France and Luxembourg, only associations qualify). Such a status can be used to identify entities that engage in sectors such as welfare, healthcare, education and culture, limit and/or reinvest profits, if any, into their purpose and have an impact that extends beyond their members. Some countries do not formally define a public benefit status or a public benefit purpose. For instance, in Estonia, there is no formal public benefit organisation status, but the concept of public interest is interpreted in administrative practice to apply to non-profit associations, foundations and religious organisations that pursue charitable goals. In Denmark, there is no statutory definition of public benefit purpose in civil or tax law; instead, legislation provides indicative examples of which purposes may qualify as public benefit (European Commission, 2023[8]). As explained in Box 5.1, there is some overlap between public benefit organisations (PBOs) and the social economy, but a PBO status might not be available to all social economy entities.

Box 5.1. Distinction between public benefit organisations and the social economy

The concept of the social economy is distinct from a public benefit organisation (PBO) status; however, a PBO status is used in EU Member States to channel tax policies to some social economy entities. The EU Council Recommendation on developing social economy framework conditions and the EU Social Economy Action Plan recognise that taxation policies can be aimed at public-benefit social economy entities.

The social economy usually includes a group of legal forms or statuses, such as co-operatives, mutual societies, associations, foundations and social enterprises that are generally motivated by social goals and reinvest profits, if any, in their purpose. Countries usually do not restrict the impact areas or social purposes of social economy entities. On the contrary, a PBO status usually focuses on the purpose(s) pursued by eligible entities, rather than their legal form and can sometimes exclude social economy entities that do not pursue some purposes or engage in sizeable economic activities.

Source: European Parliament (2023[9]), Council of the European Union (2023[6]), European Commission (2021[7])

Social enterprise status

Some countries have introduced legal statuses for social enterprises that make them eligible for preferential tax measures. These statuses usually require entities to pursue a social and/or environmental purpose, reinvest their profits into their mission and compile periodic reports, among other criteria (OECD/European Union, 2025[10]). For example, in France, as of January 2025, investors in enterprises with the *Entreprise Solidaire d'Utilité Sociale* (ESUS) accreditation benefit from a 25% deduction from taxable income of the invested amount (with a ceiling of EUR 50 000 per investor) (Bercy Info, 2025[11])**.** In Luxembourg, Societal Impact Companies (*Sociétés d'Impact Sociétal*) whose share capital fully consists of impact shares that do not grant any dividend rights are exempt from corporate income tax and communal business tax (Grand Duchy of Luxembourg, 2016[12]). In Bulgaria, donations of up to 10% of accounting profit can be deducted if a corporate taxpayer makes donations to registered specialised enterprises and co-operatives for persons with disabilities, non-profit legal entities for public benefit and social enterprises (Lex.bg, 2007[13]). In Latvia, social enterprises do not need to include expenses related to work and social integration of their employees who are at risk of social exclusion, purchase of assets related to the purpose of the social enterprise and donations to public benefit organisations in their taxable base (Republic of Latvia, 2017[14]).

Economic activities

In most EU Member States, public benefit organisations are allowed to engage in economic activities that are related to their purpose (Table 5.2). Economic activities can be defined as "trade or business activity involving the sale of goods and services" (European Commission, 2023[8]). In countries where public benefit organisations are allowed to engage in economic activities unrelated to their purpose, these activities are usually limited in size or occasional (e.g. Belgium, Finland, Germany, Malta, the Netherlands), the income from them is taxable (e.g. Czechia, Lithuania, Poland, Portugal), must be reinvested into the organisation's purpose (e.g. Denmark, Lithuania, the Netherlands, Slovak Republic) or does not generate any material gain for the entity's members (e.g. Luxembourg).

Table 5.2. Economic activities for public benefit organisations in EU Member States

Member State	Economic activities for public benefit organisations		
	None	Related	Unrelated
Austria		■	
Belgium		■	■
Bulgaria		■	
Croatia		■	
Cyprus	■		
Czechia		■	■
Denmark		■	■
Estonia		■	
Finland		■	■
France		■	
Germany		■	■
Greece		■	
Hungary		■	
Ireland		■	
Italy		■	
Latvia		■	
Lithuania		■	■
Luxembourg		■	■
Malta		■	■
Netherlands		■	■
Poland		■	■
Portugal		■	■
Romania		■	
Slovak Republic		■	■
Slovenia		■	
Spain		■	
Sweden		■	

Source: Taxation section of the country notes

Tax measures for entities

Income tax

All EU Member States exempt non-commercial income of public benefit organisations, such as donations and grants, from corporate income tax and most countries exempt commercial income related to the entity's purpose[2] (Table 5.3). Belgium, Germany, Hungary, Ireland, Malta, the Netherlands and Poland exempt both related and unrelated income of public benefit organisations from corporate income tax. In most cases, only incidental or low unrelated activities are exempt from corporate income tax. In some countries, public benefit organisations can reduce taxable income through reinvestments to their worthy purpose. For instance, in Czechia, public benefit entities may reduce their corporate tax base by 30%, up to CZK 300 000 (approximately EUR 12 040) annually, provided the retained earnings are allocated to their main public benefit activities (Czech Republic, 1992[15]). In the Slovak Republic, registered social economy entities are entitled to corporate tax relief proportional to the percentage (at least 50%) of post-tax profit committed to achieving their primary social objectives (Slovak Republic, 2003[16]).

Table 5.3. Business income tax relief of public benefit organisations or other social economy entities

Member State	Treatment of income			
	Non-commercial income exemption	Related commercial income exemption	Unrelated commercial income exemption	Reduction of taxable income through reinvestments to worthy purpose
Austria	■	■		
Belgium	■	■	Certain commercial or industrial activities that are incidental or complementary to the main non-profit activities are exempt from tax	
Bulgaria	■	For specialised enterprises for persons with disabilities		
Croatia	■	■		
Cyprus	■			
Czechia	■	■		■
Denmark	■	Only for exclusively non-profit or charitable associations		
Estonia	■	■		
Finland	■	■		
France	■	■		
Germany	■	■	If unrelated income does not exceed EUR 45 000	
Greece	■	■		
Hungary	■	■	If business income remains under HUF 10 million (approximately EUR 25 750) and does not exceed 10% of total revenue for foundations and 15% for public benefit organisations	
Ireland	■	■	Only income from trade	

			carried out by the charity's beneficiaries	
Italy	■	Only if services are provided at or below cost		
Latvia	■	■		
Lithuania	■	■		
Luxembourg	■	■		
Malta	■	If annual turnover does not exceed EUR 50 000	If annual turnover does not exceed EUR 50 000	
Netherlands	■	■	Exempt unless economic activities become predominant or compete under market conditions without being ancillary	
Poland	■	■	Exemption on all income used for statutory objectives even if the income is not limited to public benefit purposes, as long as it does not derive from business activity	
Portugal	■	■		
Romania	■	■		
Slovak Republic	■			■
Slovenia	■	■		
Spain	■	■		
Sweden	■	■		

Source: Taxation section of the country notes

Value Added Tax (VAT)

As shown in Table 5.4, social economy entities, among other organisation types, in all EU Member States are exempt from VAT or may benefit from reduced rates if they provide some necessities and/or social goods and services, among others. Exemptions are applied in line with the requirements of the EU VAT Directive (Council Directive 2006/112), which obliges Member States to exempt certain public interest activities from VAT. This measure is usually applicable to all organisations supplying the public benefit good or service, regardless of their organisational form. Several exemptions are conditional on entities not aiming to make a profit or not distributing any earned profit, involvement of volunteers, lower prices than those of commercial entities and not distorting competition (Hemels, 2025[17]; Council of the European Union, 2006[18]). Italy has a VAT rate specific to an organisational form with a reduced rate (5%) applied to A-Type social co-operatives that provide social, health and education services.

Table 5.4. VAT measures available to social economy entities

Member State	VAT treatment of social economy entities
Austria	Income from indispensable or dispensable activities is exempt from VAT as long as the association does not intend to make a profit or is not greater than EUR 7 500 per fiscal year. Nevertheless, some associations choose to register for VAT. This is because most of their income usually does not come from economic activities and having a VAT-exempt status does not allow associations to deduct input tax.

Belgium	VAT exemption for social economy entities applies if their economic activities are isolated or exceptional, involve the investment of funds raised in pursuit of their statutory mission, or consist only of incidental industrial, commercial or agricultural operations that does not involve the use of industrial or commercial methods.
Bulgaria	The social economy status of an entity does not affect its VAT liability. The VAT Act exempts from VAT the provision of services under the Social Services Act, the delivery of social benefits under the Social Assistance Act, the compulsory and voluntary social, pension and health insurance provided under the conditions and in accordance with the procedure of a special law, including the intermediary services directly related thereto, and mediation in international adoption under the Family Code.
Croatia	Services in education, culture and social welfare by recognised public benefit entities may be VAT-exempt. VAT registration is mandatory for entities exceeding EUR 60 000 in annual taxable turnover.
Cyprus	There are no exemptions or reduced rates specific to social economy entities. However, transactions related to medical treatment, associations' services to their members, services related to social welfare and insurance, including those supplied by nursing homes or non-profit associations, among others, are exempt from VAT.
Czechia	Certain healthcare, education and social services are exempt. Selected goods for persons in need are subject to a reduced rate.
Denmark	Non-profit associations may be exempt if activities are closely linked to social, cultural, educational or similar purposes.
Estonia	Several categories of goods and services provided by non-profit organisations are exempt from VAT. These include (1) services provided by non-profit associations to their members, either free of charge or against a membership fee; (2) use of sports facilities or sports equipment provided by non-profit associations or foundations; (3) social services funded from state or municipal budgets under the Social Welfare Act; (4) shelter services for the protection of children and young persons; (5) educational services and related learning materials; (6) transport services for sick, injured or disabled persons using special vehicles; (7) services provided by independent associations of persons to their members under certain conditions, provided the service is necessary for the main activity of the member, the fee does not exceed cost and the exemption does not distort competition.
Finland	Private actors, including social economy entities, that sell social services, such as childcare, care for older persons and addiction support, are exempt from VAT if their business operations are supervised by a public body.
France	Non-profit entities that are exempt from income tax are also exempt from VAT.
Germany	Organisations pursuing exclusively charitable, benevolent or religious purposes are subject to a reduced rate (7% instead of 19%).
Greece	A specific administrative procedure is required to obtain the exemption, which involves submitting relevant documentation to the competent tax authority. The eligibility for VAT exemptions generally depends on the nature of the activities performed, particularly if they are of a social, education or health-related character, and whether they are conducted on a non-profit basis.
Hungary	Certain public interest activities carried out by non-profit and public benefit organisations (e.g. healthcare, social care, education, sports) are exempt from VAT. However, general VAT obligations may still apply for other economic activities or cross-border transactions exceeding the EUR 10 000 threshold.
Ireland	Charities that are trading (such as for example selling publications or operating a restaurant) are obliged to register for VAT if they exceed the threshold for registration (EUR 37 500 for the supply of services or EUR 75 000 for the sale of goods as of February 2025).
Italy	A reduced rate (5%) is applied to A-Type social co-operatives that provide social, health and education services.
Latvia	Exemptions apply to specific services by registered providers, including social care, certain educational and sports services, and activities by PBOs aimed at child and youth protection.
Lithuania	Exemptions apply to goods and services directly related to the entity's public benefit purpose, subject to approval by the tax authorities.
Luxembourg	Activities related to certain public benefit purposes carried out by approved institutions are exempt from VAT.
Malta	"The supply of welfare services, including services supplied by homes for the elderly, and services for the protection and care of children and young people, supplied by any government institution or by any institution or organisation recognised by the Commissioner as a non-profit making institution or approved by the Minister…as any institution whose activities fall within the social and welfare policy of the government" is exempt from VAT.
Netherlands	There is no general VAT exemption for public benefit organisations. However, non-profit socio-cultural institutions engaging in activities of a social or cultural nature such as youth work organisations, music and theatre associations and neighbourhood centres, that do not distort competition with commercial entities, are exempt from VAT.
Poland	Certain goods and services provided by social economy entities, such as health, education, or social services, may qualify for VAT exemption.
Portugal	The supplies of certain public benefit goods and services such as medical care, education, services provided by non-profit organisations, membership fees of non-profit entities, among others, are exempt from VAT. Recognised social solidarity entities that provide certain services such as nurseries, preschools, housing, services for persons with disabilities, retirement homes, among others, are also exempt. *Santa Casa da Misericórdia* and private charities are entitled to receive partial VAT refunds from eligible expenses.
Romania	The fiscal framework does not provide for VAT exemption or a reduced rate specific for social economy entities. However, social economy organisations supplying goods in certain fields such as medicine, food and beverages, supply of housing as part of social policy and culture, among others, benefit from a reduced rate. VAT exemption is applied to some financial services and activities related to welfare, healthcare and education performed by eligible organisations.
Slovak Republic	A reduced VAT rate of 5% applies to goods and services supplied by registered social economy entities that allocate 100% of their after-tax profit to their social purpose.

Slovenia	Social economy entities may benefit from a VAT exemption. VAT exemptions apply to activities considered to be in the public interest, regardless of the entity's legal form, provided they meet certain conditions. These activities include educational services, social care services for vulnerable populations, and cultural, religious, sporting or health-related non-profit services.
Spain	There are no VAT provisions specific to social economy entities. However, they can benefit from reduced rates if they provide necessities or be exempt if engaging in financial, medical or educational activities.
Sweden	Non-profit associations are exempt from VAT if they do not need to pay income tax or have an annual turnover below SEK 120 000 (around EUR 10 760). No specific VAT refund scheme exists for the irrecoverable VAT costs of public-benefit foundations. VAT applies depending on the nature of the foundation's activities.

Note: The measures are indicative and may not be exhaustive
Source: Taxation section of the country notes

Other tax measures

A number of other tax measures are available to social economy entities in EU Member States. These include exemptions from or reductions in social security contributions for hiring disadvantaged workers (Table 5.5) and exemptions from gift and inheritance taxes (Table 5.6), where they exist, among others. Gift and inheritance taxes can be levied either at the level of the recipient of the bequest (PBO) and/or the living donor or heir (European Commission, 2023[8]).

Table 5.5. Exemptions from or reductions in social security contributions

Member State	Exemption from or reduction in social security contributions for hiring disadvantaged workers
Austria	■
Belgium	■
Bulgaria	■
Croatia	■
Cyprus	
Czechia	
Denmark	
Estonia	
Finland	■
France	■
Germany	
Greece	■
Hungary	■
Ireland	■
Italy	■
Latvia	■
Lithuania	■
Luxembourg	
Malta	
Netherlands	
Poland	■
Portugal	■
Romania	
Slovak Republic	■
Slovenia	■
Spain	■
Sweden	■

Source: Taxation section of the country notes

Table 5.6. Exemptions from gift and inheritance taxes

Member State	Exemptions from gift and inheritance taxes
Austria	N/A
Belgium	■
Bulgaria	■
Croatia	■
Cyprus	N/A
Czechia	N/A
Denmark	■
Estonia	N/A
Finland	■
France	■
Germany	■
Greece	■
Hungary	■
Ireland	■
Italy	■
Latvia	N/A
Lithuania	■
Luxembourg	■
Malta	N/A
Netherlands	■
Poland	N/A (only levied on natural persons)
Portugal	N/A
Romania	N/A
Slovak Republic	N/A
Slovenia	■
Spain	N/A (only levied on natural persons)
Sweden	N/A

Note: N/A indicates that the country does not have gift and inheritance taxes in place
Source: Taxation section of the country notes

Tax and other incentives for giving and investing

All EU Member States have some incentives for individual and/or corporate giving to qualifying public benefit organisations. These can be in the form of (i) tax allowances, which subtract the donation or part of it from the taxable income base, (ii) tax credits, which subtract the donation or part of it from the tax that needs to be paid, (iii) allocation schemes, which allow taxpayers to designate a fixed percentage or amount of their income tax to eligible organisations through their tax return,[3] and (iv) matching (only for individual giving), which involves public authorities topping up donations, with the beneficiary of the donation claiming the tax relief (OECD, 2020[4]).

Individual giving

The most common tax incentive for individual giving to public benefit organisations in EU Member States is a tax allowance (Table 5.7). Belgium, France, Portugal and Sweden offer tax credits for donations to eligible organisations. Hungary, Italy, Lithuania, Poland, Portugal, Romania, Slovak Republic, Slovenia and Spain have allocation schemes, while Ireland allows public authorities to match the donation.

Table 5.7. Tax and other incentives for individual giving

Member State	Tax and other incentives for individual giving			
	Tax allowance	Tax credit	Allocation scheme	Matching scheme
Austria	■			
Belgium		■		
Bulgaria	■			
Croatia	■			
Cyprus	■			
Czechia	■			
Denmark	■			
Estonia	■			
Finland				
France		■		
Germany	■			
Greece	■			
Hungary			■	
Ireland				■
Italy	■		■	
Latvia	■			
Lithuania			■	
Luxembourg	■			
Malta	■			
Netherlands	■			
Poland	■		■	
Portugal		■	■	
Romania	■		■	
Slovak Republic			■	
Slovenia	■		■	
Spain	■		■	
Sweden		■		

Source: Taxation section of the country notes

Corporate giving

Similar to individual giving, tax allowance is the most common tax incentive in EU Member States for corporate giving (Table 5.8). France and Latvia offer tax credits for corporate donations, Slovak Republic allows corporate entities to allocate a portion of their tax to eligible entities while Sweden does not have any incentives for corporate giving. Most EU Member States have similar incentives for donations made by individuals and firms.

Table 5.8. Tax and other incentives for corporate giving

Member State	Tax and other incentives for corporate giving			
	Tax allowance	Tax credit	Allocation scheme	Similar treatment to individual giving
Austria	■			■
Belgium	■			
Bulgaria	■			■
Croatia	■			■
Cyprus	■			■
Czechia	■			■
Denmark	■			■
Estonia	■			
Finland	■			
France		■		■
Germany	■			■
Greece	■			■
Hungary	■			
Ireland	■			
Italy	■			■
Latvia	■	■		
Lithuania	■			
Luxembourg	■			■
Malta	■			■
Netherlands	■			■
Poland	■			■
Portugal	■			
Romania	■			■
Slovak Republic			■	■
Slovenia	■			■
Spain	■			■
Sweden				

Source: Taxation section of the country notes

Investing

Croatia, France, Hungary and Italy have incentives available to investors in social enterprises, public benefit organisations or co-operatives. In Croatia, under the Investment Promotion Act 63/22, 136/24, tax incentives may be granted for investments in social enterprises, especially those creating jobs for vulnerable groups or pursuing socially and environmentally beneficial projects (Republic of Croatia, 2024[19]). France allows investors in ESUS enterprises to benefit from a 25% deduction from taxable income of the invested amount (with a ceiling of EUR 50 000 per investor) (Bercy Info, 2025[11]). In Hungary, donated assets that generate capital gains may be exempt from capital gains tax under specific conditions if transferred to public benefit entities. Moreover, dividends distributed by co-operatives may be exempt from tax if reinvested in the co-operative's social or mutual purposes, which can encourage financial participation (Philea, 2024[20]). In Italy, investors in social enterprises are eligible for a 30% deduction from taxable income of the invested amount for investments of up to EUR 1 million for individuals and EUR 1.8 million for companies if the investment is held for at least three years (Italian Republic, 2017[21]).

Taxation across borders

Although EU Member States have exclusive jurisdiction over their fiscal policies, EU principles of free movement of capital and non-discrimination on the grounds of nationality apply to the levying of, and exemptions from, tax. Different rulings by the European Court of Justice (ECJ) have established that these principles also apply to philanthropic capital (Breen and Cordery, 2022[22]), namely the ECJ's decisions in the *Stauffer Foundation* case (Case C-386/04, 2006), in the *Hein Persche* case (Case C-318/07, 2009), and the *Missionswerk* case (Case C-25/10, 2010).

Cross-border operations

Based on EU case law, **countries within the EU/EEA are required to treat comparable philanthropic entities from the EU/EEA in the same way as domestic entities, in line with the EU principle of non-discrimination.** If an entity has a philanthropic status in its own Member State and complies with the requirements of a philanthropic status in another Member State, the latter cannot deny this entity the right to equal tax treatment only on the grounds that it is not a resident in its territory. The ECJ requires Member States to apply a comparability test before they decline to grant tax exemptions to European entities not established in the Member State (OECD, 2020[4]). The European Commission has reiterated this requirement by publishing guiding principles on non-discriminatory taxation of charitable organisations and their donors (European Commission, 2023[23]).

Besides this obligation to treat comparable public benefit organisations from the EU/EEA in the same way as domestic ones, some Member States present specificities for foreign public benefit organisations to operate and receive equal tax treatment in their jurisdictions. For example, the Netherlands and Ireland require foreign public benefit organisations to register with the Dutch tax authority and the Irish Charities Regulatory Authority (Breen and Cordery, 2022[22]). In the case of Cyprus, only those entities with registered offices in the country are eligible for tax measures that apply to philanthropic entities. Italy requires foreign public benefit organisations (PBOs) to be registered in the national register of third-sector organisations, and this registration requires foreign PBOs to relocate their registered seats to Italy (Fici, 2025[24]).

Cross-border giving

EU case law has confirmed that the fundamental right of free movement of capital within the EU also applies to philanthropic capital. The European Court of Justice has determined that donations to foreign public benefit organisations must be granted the same tax treatment as the one granted to national PBOs, provided that they are comparable (Fici, 2025[24]).

Almost all EU Member States have amended their legislation and/or procedures in line with EU case law (OECD, 2020[4])**.** However, in most countries, comparability is determined on a case-by-case basis, except for countries like Luxembourg and the Netherlands, where formal comparability procedures have been established. The burden of proof is on the public benefit bodies and their donors, often entailing administrative requirements such as the translation and notarisation of relevant documents (Müllerwith and Fernandes, 2021[25]).

What are the challenges of taxation for the social economy?

Social economy entities and public authorities face a number of challenges that prevent them from fully leveraging taxation to increase the impact of the social economy.

Challenges for social economy entities include:

- tax measures excluding specific types of social economy organisations;
- lack of awareness and complexity;
- inability to recover input VAT.

Public authorities face the following obstacles:

- identifying social economy entities;
- balancing the need for government revenue generation with maximising the impact of social economy entities;
- limited flexibility;
- unequal impact of tax incentives for giving;
- competition challenges;
- potential for tax abuse.

For social economy entities

Exclusion of specific types of social economy entities from tax measures

In most EU Member States, tax frameworks do not have targeted measures for specific types of social economy entities, in particular social enterprises. They sometimes do not take into account their hybrid models that combine economic activities and pursuing social impact. For example, social enterprises that take the form of a limited liability company do not always have access to tax advantages that are available to non-profit organisations. In some Member States, social enterprise legal statuses do not grant access to preferential tax treatment (European Commission, 2023[8]; OECD/European Union, 2025[10]). Exclusion of some social economy entities, mainly social enterprises, from preferential tax measures was identified as a shortcoming by half (50%) of respondents to the OECD/EC survey on taxation for the social economy. Other research also shows that some social enterprises struggle to choose the organisational form that addresses both their own requirements (e.g. a limited liability company for accountability to shareholders) and those of tax authorities (e.g. a charity or a foundation form) to get access to preferential tax measures and as a result need to set up and manage entities with different legal forms (Killian and O'Regan, 2018[26]; Durand, Lemaistre and de Nervaux, 2021[27]).

Lack of awareness and complexity

Social economy entities might not always be aware of tax measures available to them. They also face major difficulties with the administrative procedures required to access them. Complexity and bureaucracy associated with tax advantages available to social economy entities were identified as a shortcoming by over a third (36%) of respondents to the OECD/EC survey on taxation for the social economy. The European Commission's Social Economy Action Plan also highlights that in Member States with targeted tax measures for the social economy, access to them can be complex (European Commission, 2021[7]). In interviews conducted with social entrepreneurs in Ireland, the lack of tax knowledge was a commonly identified barrier to accessing preferential tax measures (Killian and O'Regan, 2018[26]). The interviewees further noted the complexity of the language used by public authorities in publications on tax matters. Some social entrepreneurs also expressed concerns over burdensome reporting requirements for entities without a charity status. In the Slovak Republic, the criteria for accessing preferential tax measures are different for every type of tax, which can create confusion for eligible entities. In Germany, a public benefit organisation needs to notify the fiscal authorities if it wants to modify its worthy purpose, adding administrative burden, particularly for smaller organisations (OECD, 2020[4]).

Social economy entities that engage in cross-border activities and donors who give across borders face high transaction costs when seeking tax relief. Establishing comparability between domestic and foreign social economy entities for the purpose of awarding them the same tax treatment is typically done on a case-by-case basis and often requires the provision of translated and notarised supporting documents. Furthermore, Member States have varying approaches to tax measures for social economy entities, which can be difficult for foreign organisations and individuals to navigate. These obstacles often act as a disincentive for cross-border philanthropy (Müllerwith and Fernandes, 2021[25]).

Inability to recover input VAT

Social economy entities that are exempt from VAT cannot recover input VAT related to exempt activities, which might put them at a competitive disadvantage compared to non-exempt organisations. For entities that do not have supplies with large costs, the advantage of not having to comply with administrative VAT requirements might outweigh the inability to recover input VAT. However, recovering input VAT might be relevant for social economy organisations with high costs for supplies and services such as equipment (Hemels, 2025[17]).

For policymakers

Identifying social economy entities

Policymakers can find it difficult to determine eligible social economy entities for tax measures. The social economy includes different legal forms, which can prevent the development of a coherent social economy fiscal framework. To overcome this, many Member States have introduced the notion of “public benefit” or “worthy purpose” available to different legal forms to determine eligibility for tax measures. However, these statuses are not specific to the social economy and can exclude social economy organisations that do not engage in worthy purpose activities defined in the law and/or act in the interests of their members instead of the general public. For example, some activities, such as consumer protection, civil protection, animal protection, amateur sports and religion were less commonly considered a worthy purpose to be eligible for tax exemptions than others, such as welfare, healthcare and education, among the 40 countries participating in the 2019 OECD Tax and Philanthropy questionnaire (OECD, 2020[4]). The public benefit requirements can exclude organisations that target exclusively their members or specific groups. For instance, in Austria, France and Slovenia, public benefit organisations have to benefit the public and the beneficiaries cannot be restricted based on individual characteristics such as gender, sex, religion or origin (OECD, 2020[4]).

The hybrid nature of social enterprises can make it difficult to target tax measures towards them. All EU Member States exempt non-commercial income of social economy entities such as donations and grants from income tax. However, approaches to commercial income vary. Most EU Member States exempt the commercial income related to a public benefit entity’s purpose from income tax. However, some social enterprises, even if they generate social benefits, might not meet the criteria of a public benefit organisation and difficulties can arise when determining which income is related to an entity’s purpose.

Balancing the need for government revenue generation with maximising the impact of social economy entities

Tax measures for the social economy have a cost to the public budget in the form of forgone tax revenue. This revenue might be compensated through reduced spending on social and environmental programmes if the impact of targeted social economy entities is increased. The cost of tax measures to the public budget can be determined by a tax expenditure analysis. However, this analysis can be difficult to carry out in the case of tax measures for the social economy because the relevant tax measures may not be considered as a tax expenditure. Tax expenditures can be defined as "a transfer of public resources that is achieved by reducing tax obligations with respect to a benchmark tax rather than by a direct expenditure" (OECD, 2004[28]). Grants and donations, which form a large part of the funding of social economy entities, are usually not considered income, which complicates the definition of a benchmark income tax and the calculation of the forgone tax revenue. Moreover, few countries collect the necessary information to estimate the tax expenditure on tax measures for the social economy. Of the 40 countries that responded to the 2019 OECD Tax and Philanthropy Questionnaire, less than half were able to provide forgone revenue estimates for tax measures for donations or other tax exemptions (OECD, 2020[4]). The lack of tax expenditure data hinders monitoring and evaluation initiatives to determine whether the benefits outweigh the costs and makes tax measures less transparent (Lideikyte-Huber, 2020[29]).

Limited flexibility

Unlike direct public spending that can be targeted at specific projects, tax measures are broader in scope and are more difficult to amend. Tax expenditures are usually written into permanent law, whereas spending programmes are subject to periodic reviews, evaluations and changes (OECD, 2010[30]; OECD, 2020[4]; Lideikyte-Huber, 2020[29]). This can make it more difficult for policymakers to use taxation to support emerging or changing policy priorities. Moreover, compared to spending programmes, it is more challenging to estimate the impact of tax expenditures on public budgets as the incentives that taxpayers receive are usually not capped. If needed, it is more difficult to place a cap on existing tax measures without changes to tax law.

Unequal impact of tax incentives for giving

Tax incentives for giving can disproportionately benefit higher-income earners and social economy entities with certain purposes. Some studies on charitable giving show that taxpayers with higher incomes and those giving larger donations are more responsive to tax incentives (Lideikyte-Huber, 2020[29]; Bönke, Massarrat-Mashhadi and Sielaff, 2010[31]). In addition, some research shows that tax incentives disproportionately affect donations to organisations with a certain purpose (Lideikyte-Huber, 2020[29]). For instance, recent research from France shows that increases in the price of charitable giving following the 2017 wealth tax reform resulted in a larger drop of support to charities with political objectives than others (Cage and Guillot, 2025[32]). Research from the United States shows that donations to charities operating in health care and home care are more sensitive to increases in the cost of giving (e.g. through lower tax incentives) than to those operating in higher education and the arts (Duquette, 2016[33]).

Competition challenges

In the EU, preferential tax treatment of social economy entities is not always aligned with EU and national State aid rules. The European Commission defines State aid as "an advantage in any form whatsoever conferred by national public authorities to undertakings on a *selective* basis" (European Commission, n.d.[34]). State aid rules aim to ensure fair competition and prevent distortions in the EU single market or national economies by mandating Member States to notify the European Commission of granted State aid measures. They apply if the beneficiary of the state measure is an enterprise and the aid is selective, which favours some enterprises over others that are in a similar situation. The established case law of the European Court of Justice stipulates that any organisation with an economic activity can be considered as an enterprise, no matter its legal form, financing sources or profit objectives.[4] Economic activity is any activity that offers goods or services on the market. The market exists for a product or service in a given Member State if it is provided by a number of economic actors, the state does not have a responsibility to provide it to all citizens, payment is required for it and it is not purely social in nature (Sepio, 2023[35]). Some social economy entities, especially social enterprises, might engage in similar economic activities to other market participants, the support for which can create unfair competition.

Nevertheless, State aid, including in the form of preferential tax treatment, can in some cases be used for social economy entities if it complies with provisions under the General Block Exemption Regulation (GBER) and the Services of General Economic Interest (SGEI) framework or does not exceed the *de minimis* threshold, which as of August 2025 is set at EUR 300 000 over three years to a single enterprise that received the aid and linked enterprises (Piernas López, J., 2023[36]; European Commission, 2023[37]).

Many EU Member States limit the scope of preferential tax measures to non-market entities of the social economy, which excludes some social enterprises, or limit the aid granted to the social economy to the *de minimis* threshold and do not fully use the opportunities offered by GBER and SGEI frameworks (Sepio, 2023[35]). This represents a missed opportunity to strengthen aid for social economy entities, considering that under the SGEI Decision, Member States can offer compensation for the provision of services of general economic interest up to EUR 15 million per service per year without notifying the European Commission (Piernas Lopez, J., 2023[38]). The underutilisation of State aid opportunities can be explained by limited awareness about the frameworks, their misinterpretation or perceived legal risks (Piernas López, J., 2023[36]).

Potential for tax abuse

Without strict reporting and monitoring practices, social economy entities might be used to evade or avoid taxes by organisations or individuals that do not fully meet the criteria to benefit from preferential fiscal treatment. Although an OECD report from 2009 identified that tax abuse practices involving charities are not widespread in selected EU Member States (e.g. Czechia, France, Ireland, Italy, the Netherlands, Portugal and Sweden), the risk of tax abuse exists and is becoming more common (OECD, 2009[39]). Risk of misuse of tax measures was identified as a challenge by 14% of respondents to the OECD/EC survey on taxation for the social economy. Tax abuse for tax measures aimed at social economy entities can take the form of disproportionately high salaries for staff or board members of entities, using resources to serve personal interests instead of the organisation’s social and/or private purpose, running a for-profit business disguised as a social economy entity, dissolving the entity and distributing its assets as a way to avoid paying tax, treating regular employees as volunteers to not report their wages and engaging in taxable business activities without being registered as a taxpayer. Tax abuse practices with incentives for giving include falsification of donation receipts, the treatment of payment of goods or services as donations, among others (OECD, 2020[4]).

What can policymakers do to leverage taxation for the social economy?

Public authorities can leverage taxation for the social economy by making it inclusive, understandable, transparent, fair and relevant. This can be done through:

- setting clear eligibility criteria through a comprehensive legal framework;
- creating a publicly available register of eligible entities;
- introducing periodic reporting requirements;

- facilitating access to clear tax information;
- using State aid opportunities in line with competition laws;
- evaluating the effectiveness of tax expenditures.

Set clear eligibility criteria through a comprehensive legal framework

Setting clear eligibility criteria for accessing preferential tax measures can help to avoid misuse of the incentives and ensure that they do not conflict with competition laws. While all EU Member States have introduced preferential tax treatment for entities engaging in activities with a worthy purpose and/or benefitting the public in their tax laws or laws on specific social economy entities such as associations, foundations and social enterprises (Table 5.9), they have varying approaches to the breadth of eligibility criteria (OECD, 2020[4]). Some EU Member States have introduced public benefit or social enterprise legal statuses to determine the eligibility for tax measures (OECD/European Union, 2025[10]). These statuses usually require an entity to pursue a social/environmental or a public benefit purpose, limit the size of the economic activities it can engage in, and in some cases, require the reinvestment of at least a share of profits, if any, into its purpose (OECD, 2020[4]; OECD/European Union, 2025[10]).

Table 5.9. Laws defining public benefit/interest and/or worthy purpose requirements in EU Member States

Member State	Law(s)
Austria	Federal Tax Code (*Bundesabgabenordnung*, §§34-47)
Belgium	Article 181 of the Income Tax Code
Bulgaria	Non-profit Legal Entities Act
Croatia	The Law on Associations NN 74/14, 70/17, 98/19
Cyprus	Article 9(1)(f) of the Income Tax Law
Czechia	Article 146 of the Czech Civil Code; Czech Income Tax Act
Denmark	Executive Regulation no. 1656/2018
Estonia	Article 11(2) of the Income Tax Act (RT I 1999, 101, 903 – RT I, 20.12.2024, 5)
Finland	Section 22 of the Finnish Income Tax Act
France	Article 11 of Law 1 July 1901
Germany	German Fiscal Code, section 51-54
Greece	Article 1 of Law 4182/2013
Hungary	Act CLXXV of 2011 on the Right of Association, Public Benefit Status, and the Operation and Support of Civil Society Organisations; Act LXXXI of 1996 on Corporate Tax and Dividend Tax
Ireland	Charities Act 2009, section 2
Italy	Legislative Decree No. 117/2017
Latvia	Public Benefit Organisation Law (Section 2(1))
Lithuania	Law on Public Organisations; Law on Associations; Law on Charity and Support
Luxembourg	Law of 7 August 2023 on Non-profit Associations and Foundations
Malta	The Second Schedule to the Civil Code and the Voluntary Organisations Act (Chapter 492 of the Laws of Malta)
Netherlands	Article 5b of the General Tax Act (*Algemene Wet Inzake Rijksbelastingen* – AWR)
Poland	Article 96 of the act of 24 April 2003 on Public Benefit and Volunteer Work
Portugal	Corporate Income Tax Code, CIRC, Art. 10.º, Chapter ii
Romania	Law No. 219/2015 on the Social Economy
Slovak Republic	Act No. 112/2018 Coll. on the Social Economy and Social Enterprises
Slovenia	Non-Governmental Organizations Act (ZNOrg), Official Gazette RS, No. 21/18
Spain	Article 32 of Law 1/2002 on the Right to Association; Article 3.1 of Law 49/2002 on the Tax Regime for Non-profit Entities and Tax Incentives for Patronage; Law 50/2002 on Foundations
Sweden	Income Tax Act (*Inkomstskattelagen*, chapter 7, section 4)

Source: Taxation section of the country notes

Clarifying worthy purposes through a statutory definition or providing examples of activities can help target taxation measures towards social economy entities. Some EU Member States do not provide a statutory definition of worthy purposes and instead include some examples of such activities in the relevant laws, while others restrict possible worthy purposes to several impact areas. For example, under the Finnish Income Tax Act, an organisation is considered as a public benefit organisation and is therefore eligible for tax-exempt status if it acts exclusively and directly for public benefit in a material, intellectual, ethical or social sense, if it does not limit its activities to a restricted number of persons and if it does not distribute economic benefit to members or related persons such as dividends or unreasonable remuneration (Republic of Finland, 1992[40]). The Act lists some examples of what can be deemed as a public benefit purpose (European Commission, 2023[8]). On the other hand, some countries restrict the scope of possible public benefit activities. For instance, in Cyprus, charitable institutions that qualify for tax exemptions can be incorporated solely for the promotion of arts, sciences or sports (Republic of Cyprus, 2002[41]). While such an approach can support organisations engaging in these purposes and limit the scope for tax abuse, it prevents social economy entities not engaged in pre-defined impact areas from accessing tax support, despite them aiming to have social/environmental impact and reinvesting their profits into their purpose.

Create a publicly available register of eligible entities

Public registers can help to improve transparency regarding the eligibility of organisations for measures and increase trust in these entities. They can also provide donors with the certainty that the entities they donate to are legitimate and that their donations are eligible for tax allowances or credits, whilst improving the anticipation of abuses and detection of potentially fraudulent entities (OECD, 2020[4]). Policymakers may consider the possibility of allowing or even requiring social economy entities to upload financial and mission statements on these public registers in order to further strengthen transparency. For example, Latvia has made the attribution of PBO status contingent on the entity's registration on the Register of Public Benefit Organisations, which is run by the State Revenue Service (Fici, A., 2023[9]). The register is publicly available, allowing users to search PBOs by name, registration number and scope of activity and to view their yearly activity reports and future activity plans (Valsts ieņēmumu dienests, n.d[42]). In Italy, the Register of Co-operatives allows users to filter registered co-operatives that can access several tax benefits based on their name, social status, tax code and region, among other parameters (Ministero delle Imprese e del Made in Italy, n.d.[43]).

Introduce periodic reporting requirements

Annual or regular reporting requirements are used by some EU Member States to assess whether a social economy entity continues to meet the necessary criteria to be eligible for a preferential tax status in the period after obtaining it (OECD, 2020[4]). For example, in Portugal, foundations and philanthropic entities must publish financial reports, supervisory opinions, activity reports and external audit reports concerning the past three years on their websites (Philea, 2024[44]). In the case of the Netherlands, entities with a public benefit status (which are generally tax exempt) are required to annually publish an activity report and a financial report on their websites within six months after the end of the financial year (European Commission, 2023[8]). In general, required documents for reporting may include income tax returns, activity reports, financial statements and/or external audit reports.

Reporting requirements should be designed in ways that do not result in a heavy administrative burden for social economy entities and public authorities. Establishing a *de minimis* amount of revenue under which some reporting requirements would not be applicable can be a way to prevent additional costs for smaller entities (OECD, 2020[4]). For example, Ireland has set a *de minimis* amount of turnover (EUR 100 000) above which charities must submit audited financial statements and under which they are only required to submit an annual report, including a statement of accounts or a statement of assets and liabilities (European Commission, 2023[8]). Public authorities could also exempt entities from submitting a tax return if they are not liable to a particular type of tax. For instance, in Czechia, public benefit entities, such as foundations, endowment funds, public benefit corporations and social co-operatives do not need to submit a corporate income tax return if they have no taxable income or if all income is either tax-exempt or subject to final withholding tax (Czech Republic, 1992[15]).

Facilitate access to clear tax information

Accessible tax information can make it easier for eligible entities and individuals to navigate the requirements and facilitate tax compliance. To do this, public authorities could, alongside publishing clear interpretation of and guidance on tax measures, allow social economy entities to enquire about tax matters, either through dedicated departments or more general customer support channels. For instance, in Ireland, the tax authority has a dedicated unit to which charities can direct their questions or concerns (Revenue, 2022[45]). In Estonia, non-profit associations can contact the Estonian Tax and Customs Board by phone, email or online via the e-services platform (Estonian Tax and Customs Board, n.d.[46]).

Use State aid opportunities in line with competition laws

Policymakers in the EU need to ensure that any preferential taxation scheme available to social economy entities is in line with EU State aid rules. This can be done by limiting the preferential treatment to only non-commercial activities carried out by social economy entities, as shown by the example from Italy presented in Box 5.2.

Box 5.2. Reform of property tax exemption for properties used by non-commercial entities in Italy

In 1992, Italy introduced a municipal property tax (*Imposta Comunale sugli Immobili* (ICI)) with an exemption for properties used by non-commercial entities exclusively for activities related to welfare, social security, health, education, accommodation, culture, recreation, sports, religion and worship. The European Commission launched an investigation of the tax exemption in 2006 as the measure seemed to qualify as State aid. This was prompted by the fact that, under EU State aid rules, the key difference between an economic and a non-economic activity is whether there is a market in which the entity in question can offer its goods and services, which was the case for the sectors covered by the Italian municipal property tax.

Six years after the launch of the investigation, the Italian lawmakers replaced the ICI property tax with a new property tax (*Imposta Municipale Urbana* (IMU)). The new law restricted the property tax exemption to a list of specific activities carried out in a non-commercial manner. It was accompanied by a new regulation (Decree of 19/11/2012 n. 200), which narrowed down the scope for what activities could be deemed as being carried out in a non-commercial manner, requiring, for example, healthcare activities to be accredited and have agreements with public authorities or to be performed free of charge or against payment of a token amount. With the introduction of the new property tax and the regulation, the European Commission closed its formal investigation, considering the IMU tax to be outside the scope of State aid rules.

Source: Sepio (2023[35])

Policymakers could fully leverage State aid possibilities, especially those offered by the GBER and SGEI frameworks. The GBER exempts public authorities from notifying the European Commission if the State aid is granted to support activities in certain fields. GBER exemptions that might be relevant to the social economy include (i) regional aid; (ii) support for small and medium enterprises (SMEs); (iii) aid for the protection of the environment; (iv) support for innovation and research and development; (v) aid for training; (vi) support for recruitment and employment of disadvantaged workers and workers with disabilities; (vii) aid for transport for inhabitants of remote regions; (viii) support for culture and heritage conservation; (ix) aid for sport and multifunctional recreational infrastructure; and (x) support for local infrastructure (Hemels, S., 2025[47]). The SGEI framework allows Member States to grant State aid to compensate for the provision of services of general economic interest, which are defined as "economic activities which deliver outcomes in the overall public good that would not be supplied (or would be supplied under different conditions in terms of quality, safety, affordability, equal treatment or universal access) by the market without public intervention" (European Commission, 2011[48]).

Member States may consider investing in training, capacity-building and awareness-raising for public authorities on EU State aid rules. For instance, the EU Social Economy Gateway provides guidance materials and examples of how State aid rules can support the social economy (European Commission, n.d.[49]). Member States may also consider proactively engaging in structured dialogue or public consultations with EU policymakers to provide input on these challenges and feed into potential revisions of EU State aid rules. For example, the European Commission launched a public consultation between June and July 2025 for the revision of State aid rules on SGEI, mainly aimed at tackling the housing crisis but also at simplifying and clarifying some concepts in the SGEI framework (European Commission, n.d[50]).

Evaluate the effectiveness of tax expenditures

Evaluating the effectiveness of tax expenditures for social economy entities can help to ensure that they meet their intended goals while maintaining the financial sustainability of public budgets. The main aim of taxation for the social economy is to encourage activities of eligible entities that have a positive benefit on society. Although thorough evaluations for tax expenditures are not common, some EU Member States, such as France and the Netherlands, publish reports on the size, cost and recommendations for tax expenditures that include measures available to social economy entities (OECD, 2020[4]; Cour des comptes, 2025[51]; Ministry of Finance, 2023[52]). A non-exhaustive list of possible questions for such evaluations is presented in Box 5.3.

Box 5.3. Some questions for evaluation of tax expenditures

Effectiveness

- What is the rationale behind the tax measures?
- What are the objectives of the preferential tax treatment?
- What is the uptake of the tax measures? What are the barriers to accessing them?
- What is the distributional impact of the tax measures?
- Could the goals be achieved through other policy measures?

Cost

- Are the size and the costs of the tax measures accurately estimated?
- Does the preferential tax treatment distort competition?
- Is compliance with the eligibility criteria monitored effectively?
- How burdensome is it for eligible entities to access the tax measures?

Potential for improvement

- Could the compliance burden be reduced?
- Could the administration be made more efficient?
- Could the eligibility criteria be modified to achieve the goals?
- Do the tax measures overlap with other initiatives?

Source: Based on Beer et al. (2022[53]) and OECD (2010[54])

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Notes

[1] The survey received 15 responses, 11 of which were submitted by legal experts, 2 by public officials and 2 by social economy representatives.

[2] The income of unincorporated social enterprises is taxed under personal income tax. This chapter focuses on incorporated social enterprises and therefore mainly considers corporate income tax measures.

[3] Allocation scheme is neither a tax incentive nor an act of giving (OECD, 2020[4]).

[4] CJEU,12 September 2000, Pavlov and Others, Joined Cases C-180/98 to C-184/98; 10 January 2006, Cassa di Risparmio di Firenze SpA and Others, C-222/04; 27 June 2017, Congregación de Escuelas Pías Provincia Betania, C-74/16.

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