STUDY ON THE OPPORTUNITIES FOR IMPACT INVESTING TO PROMOTE THE SOCIAL AND GREEN ECONOMY IN THE SOUTHERN NEIGHBOURHOOD

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ACTIONABLE RECOMMENDATIONS

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TABLE OF CONTENTS

ACRONYMS & ABBREVIATIONS

AFD	Agence française du développement (English : French Development Agency)
DFC	Development Finance Corporation
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EIF	European Investment Fund
EFSD	European Fund for Sustainable Development
GE	Green Economy
GFPSE	Guarantee Fund for the Popular and Solidarity Economy
GIIN	Global Impact Investment Network
IFC	International Finance Corporation
IFI	International Financial Institution
ILO	International Labour Organisation
IR	Investment Readiness
KPI	Key Performance Indicator
MENA	Middle East and North Africa
MFI	Microfinance Institution
MSME	Micro, Small and Medium Enterprises
NCPSF	National Corporation of Popular and Solidarity Finance (of Ecuador)
NEAR	DG NEAR of the European Commission
OECD	Organisation for Economic Co-operation and Development
SDG	Sustainable Development Goals
SE	Social Economy
SII	Social Impact Investment
SME	Small and Medium Enterprise
ToR	Terms of reference
UfM	Union for the Mediterranean
USD	United States Dollar

1. ACTIONABLE RECOMMENDATIONS

1.1. RELEVANCE OF SOCIAL IMPACT INVESTMENT IN THE REGION AND THE ROLE OF THE EU

Social Finance ecosystem in the region is in an early stage of development with different degrees of advancement depending on whether it is considered from the side of 'offer' or 'demand'. In line with this, we need to bear in mind that the research has produced an assessment which reinforces the relevance of Social Impact Investment (SII) in the involved countries.

The Southern Neighbourhood is the region where SII presents the most pessimistic situation if compared with other regions of the world. We understand that SII requires certain conditions to develop its potential:

1. A reinforced focus on types of investments tailored for social and green economies.
2. A holistic ecosystem approach from key actors, such as the EU.
3. A "patient investor" approach based on a long-term vision.

In the first case we believe that, besides the potential in green and social infrastructures, the efforts should be concentrated on Social Economy (SE) and Green Economy (GE) entrepreneurs as described below. *Social and green entrepreneurs are the "natural" target for (Social) Impact Investing since they are the key private actors implementing impact activities on the ground.*

In the second case, the EU including its different financial institutions such as EIB or EBRD, can play a key role if it continues its coordinated efforts and seizes the opportunity of growing interest to support social economy at international and regional level and aim to clarify the scope and functioning of SII in the region.

In this sense, some recommendations can be directly implemented by the services of DG NEAR under their competencies and budget, while others may require the collaboration with other actors within the EU institutions and related organizations, such as the above-mentioned financial actors.

Regarding the third point, time will be needed to pursue the reinforcement (in some cases implementation would be a more appropriate definition) of the Impact Investment sector in the region and to connect it to social and green economies. Time is also needed for creating favorable conditions for social and green entrepreneurs to make them ready for an investment. Time – often longer compared to other regions - is also necessary for the required policy level impact at the regional scale.

1.2. A SET OF ACTIONABLE RECOMMENDATIONS

In this section we present a set of recommendations described in detail and presented under the form of interrelated activities and interventions following the above mentioned "ecosystem approach" as requested by the Terms of Reference (ToR).

We propose three different types of recommendations:

- Addressing how the interventions regarding SII, SE and GE should be designed and implemented (such as the level of intervention or the operational definitions).
- Relating specific activities of the EU (such as the regional European Task Force of SE or a policy dialogue).
- Involving actors beyond the EC and DG NEAR. All of those are aimed at Increasing the capabilities of both (offer and demand) sides of the Social Impact Investment Ecosystem in the region through a series of pilot actions.

Such inter-related recommendations can be also considered independently.

The following table links the recommendations and the findings:

Table 1: Linking Recommendations with findings from the first phase

Findings/Policy goals	**Recommendations**											
	No.1	No.2	No.3	No.4	No.5	No.6	No.7	No.8	No.9	No.10	No.11	No.12
1 Concepts clarification/Overlapping		✓										✓
2 Measurement							✓				✓	
3 Ecosystem capabilities					✓			✓				
4 Regulatory trends/issues							✓			✓	✓	
5 Horizontal governance & non-profit companies						✓						
6 Size *(of ticket)*						✓	✓					
7 Proximity *(to community needs)*	✓								✓			
8 Risk				✓								
9 Support *(to ecosystem's actors)*									✓			
10 Need for cooperation among stakeholders							✓		✓		✓	
11 Overcome mismatch							✓	✓				
12 Deal flow				✓	✓	✓		✓				
13 Coordination/Access to information											✓	
14 Informality							✓		✓			
15 Gender			✓									
16 Role of IFIs and similar				✓							✓	
17 Role of intermediaries					✓		✓					
Country-specific priorities												
Morocco					●		●		●	●		
Tunisia							●		●			
Egypt						●	●					
Palestine						●	●					●
Jordan							●	●				●
Lebanon						●	●					●

MACRO, MESO, MICRO LEVELS OF INTERVENTION:

The following table provides a conceptual mapping of how the recommendations address the Macro, Meso and Micro level of intervention:

Table 2: Marco, Meso and Micro levels of intervention

Recommendation	Macro	Meso	Micro
Geography – Implementing multi-level interventions		X	X
Setting definitions for the sector	X		
Tackling gender and youth issues		X	
Setting-up Guarantee funds specific for SE and GE companies		X	X
Supporting financial intermediaries		X	
Implementing Equity and Quasi-equity instruments		X	
Developing Peep learning partnerships to grow social and green economy ecosystems	X	X	X
Boosting social innovation in order to develop the Social Impact Investment ecosystem		X	X
Unleashing potential of the Proximity factor		X	X
Inclusion of more SE, GE and SII issues in the policy dialogue	X		
Developing specific Key Performance Indicators (KPIs) for social and green economies	X	X	
Setting-up a Regional Task-force	X	X	

1.3. "FRAME" RECOMMENDATIONS

The first three recommendations may also be considered as a frame for the proposed interventions since they refer to multidimensional findings and an ecosystemic approach:

RECOMMENDATION 1: GEOGRAPHY – IMPLEMENTING MULTI-LEVEL INTERVENTIONS

Rationale: The interventions need to get closer to the ground and facilitate the building of connections that improve the flow of information between key stakeholders. This recommendation is linked to the cluster of findings about "Proximity" mainly, and "Cooperation among stakeholders" as a result. In the first case, SE actors have a recognized "capacity of being close to local needs" means also that the support (financial and non-financial) of the sector is required to target local actors based in rural, internal, remote, or shrinking areas. This is especially relevant as many investors/interventions are lacking this local infrastructure/knowledge". Hence, the other interventions proposed in the other recommendations should be designed and implemented with a view to achieve a certain degree of modularity in the level of implementation. It is necessary to balance all four levels proposed below. In the second case we are referring to one of the elements mentioned in that finding: "At national level, social/green economy players who could be acknowledged as “champions” (leaders, examples) could represent the cornerstones to implement pilot initiatives or act as supporters, mentors, ambassadors". For this reason, we propose a multilevel implementation of certain recommendations, for example by allowing a certain degree of subsidiarity in the implementation of some of the financial vehicles or social innovation programme but allowing for other relevant issues such as dissemination and peer learning to be addressed at higher levels.

Implementation: EU actors should improve their initiatives and interventions so that they are able to reach the lowest geographical levels. Such improved proximity could be operationalized and the relevant interventions will include a multi-level implementation.

In order to do so, a four-level structure should be used:

1. **Regional**: this level would see the implementation of activities aimed at dissemination, peer learning and awareness raising. It would also include management of the regional interventions such as the proposed guarantee fund (Recommendation 5), the capacity building activities, the SII instrument and the coordination of sub-regional components and activities that address regulatory and other environmental aspects and social innovation (see below).

2. **Sub-regional**: *here we propose to include three pairs of countries according to location and other characteristics (such as languages, regulatory development, socioeconomic ties, etc.):*
   Morocco and Tunisia, Egypt and Lebanon, and Jordan and Palestine.

   Sub-regional level will aim to promote and enhance cooperation and will benefit from synergies so the relating initiatives and interventions will **at least** [1] include regulatory issues and other environmental features and social innovation.

3. **National**: *this would address all proposed funds and instruments (including grants) but also policy dialogue (see Recommendation number 11 “Include SE, GE and SII in the policy dialogue”). Regarding specific countries*[2]*:*
4. Special attention should be paid to developing Egypt’s ecosystem thanks to its potential (a more stable economy and therefore less risky at country level, a strong focus on promoting MSMEs and an existence of best examples such as Misr El Kheir Foundation). In this case, actions for Recommendations number 3 “Improving cooperation among stakeholders” (collaboration with Islamic Finance Actors) and number 7 “Implementing equity and quasi-equity instrument” could be particularly interesting.

[1] This sub-regional level may not be suitable for all the proposed recommendations.

[2] We mention here specific recommendations for a targeted national intervention. However, this does not mean that other recommendations as relevant as R5 (regarding RISK) are not to be implemented in the country. In those cases, those not-mentioned recommendations have to be acted on homogenously across all countries.

5. In the case of Lebanon, the political and socio-economic situation is very delicate but the existence of some interesting examples such as Alfanar and Berytech as well as the proposal to pass a Law on Social Enterprises makes it very interesting for Recommendations number 7 “Implementing equity and quasi-equity instrument”, number 8 “Growing social and green economy ecosystems” and number 13 “Specific KPIs”.
6. In the case of Jordan, the ecosystem is still very underdeveloped but actions on recommendations number 3 “Improving cooperation among stakeholders”, number 8 “Growing social and green economy ecosystems”, number 9 “Boosting social innovation” and number 13 “Specific KPIs may be especially beneficial.
7. In the case of Palestine, MFI and cooperatives are significant actors and the existence of interesting institutional actors such as the Palestine Investment Fund could make it especially attractive for recommendations number 7 “Implementing equity and quasi-equity instrument”, number 8 “Growing social and green economy ecosystems” and number 13 “Specific KPIs.
8. In Tunisia, regulatory approaches still deserve greater attention while the ecosystem is expected to develop quickly with well-established/promising intermediaries and supported by clear interest from public authorities and governments bodies towards the SE sector. Recommendations number 3 “Improving cooperation among stakeholders”, number 8 “Growing social and green economy ecosystems” and number 10 “The Proximity factor” may particularly apply to Tunisia’s case.
9. In the case of Morocco, the cooperative sector is highly relevant in terms of employment particularly for women but suffers from lack of efficient economic organization, access to finance and seems to lack necessary attention from the authorities. Recommendations number 6 “Supporting financial intermediaries”, number 8 “Growing social and green economy ecosystems”, number 10 “The Proximity factor” and number 11 “Inclusion of SE, GE and SII in the policy dialogue” can be of value for Morocco.

4. **Sub-national**: aimed at one or two specific regions per country outside the capital. The relating actions should focus on three interventions: relating to the SII instrument (R7), promotion of Social Innovation (R9) and developing support (R10).

RECOMMENDATION 2: SETTING DEFINITIONS FOR THE SECTOR

Rationale: Different institutions use different or even competing definitions of the SE sector, actors and concepts particularly related to impact. This leads to confusing identification of Social and Green Economy organisations and their needs. In more general terms, such confusion fuels different perceptions and knowledge about the social impact of SE businesses and the way social investors can support the SE sector. It is not uncommon that businesses which visibly don’t pursue any social mean are categorized as “social businesses” only by presenting general figures on employment. Thus, the proposed recommendation addresses the “Concept clarification/overlapping” finding presented in the report. In this sense, we could also mention some of the findings: absence of clarity causes that many actors claim to work in impact finance or support Social/Green entrepreneurs without a clear definition or even without being fully transparent in their communications. Social and green entrepreneurships very often “overlap”: on the ground - in many cases – impact driven entrepreneurs target both social and green goals; very often they belong to the same innovative environments and share the same values, networks etc. In some cases, they belong to both social and green economy. In a way, they are part of a larger “sustainable minded economy”.

Implementation: EU actors should favour the clarification of key concepts such as Social Economy, Social Enterprise, Green Economy and Social Impact Investment at regional and national levels. In order to address this, we propose two initiatives:

- The first is to operationalize under the form of a clear definition of Target/Beneficiaries in the proposed interventions.
- The second is to include an operational definition of SE/GE companies in all the programmes, interventions and policy dialogues, especially those in which EU institutions, specially International Financial Institutions (IFIs), are involved, as well as a definition of SII. We propose to use the definitions mentioned below.

Thus, in the first case, we propose to include specific definitions for two types of actors in ongoing and future EC interventions, as follows:

MSMEs from the Social and Green Economy. This could follow the operational definition used in the New Action Plan for Social Economy[3]:

1.1. The definition of Social Economy**:** The social economy encompasses a range of entities with different business and organizational models. They operate in a large variety of economic sectors: agriculture, forestry and fishing, construction, reuse and repair, waste management, wholesale and retail trade, energy and climate, information and communication, financial and insurance activities, real estate activities, professional, scientific and technical activities, education, human health and social work activities, arts, culture and media.

[…] the social economy covers entities sharing the following main common principles and features: the primacy of people as well as social and/or environmental purpose over profit, the reinvestment of most of the profits and surpluses to carry out activities in the interest of members/users (“collective interest”) or society at large (“general interest”) and democratic and/or participatory governance.

Traditionally, the term social economy refers to four main types of entities providing goods and services to their members or society at large: cooperatives, mutual benefit societies,

[3] Available at: https://ec.europa.eu/social/BlobServlet?docId=24986&langId=en

associations (including charities), and foundations. They are private entities, independent of public authorities and with specific legal forms"[4].

1.2. Furthermore, the definition of Social Enterprise used in the Action Plan is as follows:

"Social enterprises are now generally understood as part of the social economy. Social enterprises operate by providing goods and services for the market in an entrepreneurial and often innovative fashion, having social and/or environmental objectives as the reason for their commercial activity. Profits are mainly reinvested with a view to achieving their societal objective. Their method of organization and ownership also follow democratic or participatory principles or focus on social progress. Social enterprises adopt a variety of legal forms depending on the national context"[5].

1.3. In the case of Green Economy and Green Economy Enterprises the definitions are the same but instead of seeking a more generic Social Impact, both are concentrating in producing a specific environmental impact. Nevertheless, they should be subjected to all the above-mentioned requirements in terms of profits and management.

In the case of financial intermediaries and funds/investors, they should refer to Social Impact Investors. In this case we propose to use a definition of EASI [6]: as those investors/financial actors whose "investment approach (is) aimed at generating social benefits to individual stakeholders: and the society at large alongside a financial return to the investor. In doing so, impact investing considers social impact accruing to societal stakeholders as an investment objective at least at-par with the financial risk/return profile"[7]. Nonetheless, the financial intermediaries should also use an adequate set of metrics that are in line with the proposed work of the current project "OECD Global Action on Promoting Social and Solidarity Economy Ecosystems" which is expected to develop an international guide on Social Impact Measurement.

RECOMMENDATION 3: TACKLING GENDER AND YOUTH ISSUES

Rationale: Despite the progress made in advancing women's rights, gender unbalances are still challenging in the region in terms of education, job creation and decent employment, financial inclusion and economic empowerment. On the other side, the population of the region is among the youngest in the world; youth in the region, including highly- educated youth, is particularly affected by economic downturns and unemployment. This recommendation aims to seize the opportunity offered by a more mature SII ecosystem able to support SE initiatives and designed to tackling the above-mentioned challenges.

[4] Page 5 of the EU Action Plan for SE. Chapter "Defining Social Economy"
[5] Idem
[6] We propose the definition of EASI because, despite its limitations, (1) it comes from a programme involving key EU IFIs and (2) it has been used and tested in operational conditions, in a multi-country context.
[7] Definition included in " EFSI Equity Instrument. Guidance for social impact investors". Footnote 6.
https://www.eif.org/what_we_do/equity/efsi/call/Guidance_for_social_impact_investors.pdf

Implementation: Specific attention should be paid to SE/GE companies addressing gender equality and youth exclusion. Such attention should also build upon refined KPIs and metrics both for SII vehicles and investees. This is operationalized by a specific mention in the section Target/Beneficiaries of the proposed programme and is reinforced through specific directions in Peer Learning Partnerships-Measurement.

1.4. RECOMMENDATIONS RESULTING IN NEW INSTRUMENTS

We have formulated five recommendations which should result in a creation of various instruments (such as guarantees, capacity building investment instrument, SII investment to address enterprises with challenging exit strategies and other tools facilitating the development of SII markets at regional and national levels). We recommend to set up new financial instruments to address major gaps and related developments which the existing instruments are not able to fully address.

RECOMMENDATION 4: ADDRESSING RISK – SETTING A GUARANTEE FUNDS SPECIFIC FOR SE AND GE COMPANIES.

Rationale: Risks remain one of the most recurrent findings. Risks are multidimensional and include country-level risks (social unrest, political instability, conflicts etc.), economic risks (domestic macroeconomic unbalances, foreign exchange inadequate policies), insufficient market enabling policies and ineffective market functioning (red tape, fiscal/administrative burden) making the business climate less predictable. Moreover, SE businesses are a new brand of entrepreneurship in the region and struggle to find their way in local environment. Besides this novelty, there are other barriers and obstacles such as inadequate or insufficient regulations and support policies, absence of homogeneous operational definitions, use of inadequate KPIs, etc. All these barriers are addressed by the other recommendations included in this report. For this reason, recommendations should not be considered in isolation.

The current schemes, besides having problems to achieve their full potential (as signalled below), do not specifically address SE and GE entrepreneurs. For these reasons, they need a more specific guarantee, designed to reach and serve them better, allowing them to access certain financial products. As signalled by Barco, S., Bodini, R., Roy, M., and Salvatori, G. (2019) "Improving guarantee schemes is crucial for facilitating access to credit or investment instruments for SSE organizations"[8].SE idiosyncratic risks combined to these country-wide risks make difficult for the IFIs to adequately respond to financing needs of SE.

Guarantee funds can help incentivize private capital by re-assessing the risks, perception/appetite and mobilize domestic currency resources leading to less exposure to exchange rate fluctuations. Yet the use of guarantee schemes remains limited in the region and IFIs still favour traditional instruments for development financing (grants or lending). Existing risk-sharing facilities in the region are predominantly focused on the specific segment of small and medium enterprises and show no particular preference to

[8] Barco, S., Bodini, R., Roy, M., & Salavotori, G. (2019). Financial Mechanisms for Innovative Social and Solidarity Economy Ecosystems. International Labour Organization. Available at: https://www.ilo.org/global/topics/cooperatives/publications/WCMS_728367/lang--en/index.htm

the SE sector. But guarantee funds are not a forgone conclusion; for example, AFD's MENA SME Guarantee Fund, inspired by AFD/Proparco's ARIZ risk sharing facility in the West and central Africa, implemented within the EIFI framework has not been, according to interviewees, operational in the countries of the region (partly due to uncompetitive conditions).

This recommendation addresses the finding of “Risk” as interconnected to those of the “Role of IFIs” and the “Deal flow”. In the case of the former, the idea is for IFIs to move closer to the needs of a key target group such as SE/GE entrepreneurs. IFIs need to take responsibility in seizing the opportunity of both the trends fostering Social and Green Economy and SII and promote innovative pilot actions. Such innovative actions result in “positive” disruptions that make the market more impactful and sustainable and are in line with policy guidelines and the imminent demands of our society and environment. Furthermore, such pilot actions can gain from similar initiatives within the EU and in other areas of the Neighbourhood policy. In the case of the later, a tailored guarantee fund would build the capability of intermediaries and support actors and would provide a key financial product tailored to the needs of SE/GE entrepreneurs, hence improving the Deal flow.

Implementation: A guarantee fund should be set up to enable social enterprise investors and possibly microcredit providers to reach out to Social and Green Economy enterprises that they have not been able to finance otherwise due to potential risks.

The existing guarantee funds benefit to financial intermediaries - mostly banks but also microfinance institutions – to provide collateral for loans to micro, small and medium enterprises with no specific target or inclination towards SE/GE companies. For this reason, we propose that a SE/GE-focused guarantee fund should include specific requirements in the contracts with financial intermediaries to use refined KPIs (see Recommendation 13 “Specific KPIs” for more details) and other instruments ensuring that such guarantees are aimed at SE/GE companies. We propose to use SE/GE specific KPIs to overcome the absence of legal definition in most legal frameworks. Moreover, such guarantee fund should also include Technical Assistance as long as financing SE sector is not far from representing a “novelty” for financial intermediaries in terms of risk analysis, needs assessment, business plan and growth forecast.

The investments covered by such guarantee could be similar to those in the Guarantee Fund for the Popular and Solidarity Economy (GFPSE) from Ecuador:

- Working capital;
- Acquisition of fixed assets;
- Execution of productive entrepreneurship programs or projects;
- Resource mobilization between Social Economy Financial Intermediaries (investments between SE and GE financial intermediaries);
- Guarantees for public contracts by SE/GE companies.

In the following table we present a more detailed description of how the guarantee works in Ecuador. Such details can be fine-tuned and adapted to local conditions once the instrument is fully operational.

Table 3: Work of guarantee in Ecuador

	Credit for organizations and microentrepreneurs	Investments between SE financial intermediaries	Public Contracts
Objective	Guarantee SE/GE entrepreneurs who do not have sufficient collateral established by banks other financial intermediaries, in accordance with their internal policies.	Encourage the mobilization of financial resources between SE financial intermediaries.	Guarantee government suppliers so that they are awarded a contract with a public entity.
Recipient	Natural or legal person with an acceptable risk rating for the credit union or mutuals.	Financial intermediaries belonging to SE such as Cooperative/ Credit unions, some Microfinance institutions, etc.	Natural or legal person, who has been awarded a contract with a public entity.
Term	Up to 72 months	Term agreed on each investment.	Up to 1 year
Amount	Amount established by NCPSF[9]	Maximum amount established by NCPSF. Up to 5% of productive assets of the credit union or mutuals receiving the investment.	Goods: Up to 80% of the contract amount or an equivalent of up to USD. 100,000. Services: Up to 70% of the contract amount of the contract or an equivalent of up to USD. 50,000.
Final destination	Fixed assets or working capital	Investments to raise money and place it on credit.	Working capital
Coverage	Up to 70% of the credit. Subject to analysis by NCPSF.	100%. The fund-raising credit union or mutuals delivers a loan portfolio endorsement to NCPSF for at least 120% of the value of the investment to be made.	Up to 100%.
Fee	One-time service fee	One-time service fee	One-time service fee

The NCPSF should be in this case the corresponding IFI managing the Guarantee fund.

RECOMMENDATION 5 – SUPPORTING FINANCIAL INTERMEDIARIES

(Addressing three findings: Ecosystem capabilities, Deal flow and Role of intermediaries):

[9] National Corporation of Popular and Solidarity Finance of Ecuador

Rationale: The region is mapped as the least developed SII ecosystem in the world particularly leading to an inadequate offer of services to the nascent SE sector. Consequently, many pieces of the "SE puzzle" need to be assembled to ensure that mechanisms for effective operation of SE market are in place, particularly those relating to funding. Thus, this recommendation addresses the "Ecosystem capabilities" with a focus on the "Role of intermediaries" (by supporting sustainability of existing ones and by helping others to become Social Impact Investors) and the "Deal flow" (by helping intermediaries and supporting Investment Readiness (IR) of exemplary SE and GE companies finally achieve a steady pace of investment in SE/GE companies).

Implementation: EU actors should build up the institutional capacity of selected financial intermediaries - commercial banks, micro finance institutions, leasing companies, Islamic finance actors) as well as the Investment Readiness of exemplary Social and Green Economy Enterprises. This is operationalized under the form of the specific capacity building activity which is further developed into two specific activities: (i) setting up an instrument similar to the EFSI equity instrument and (ii) the EaSI Technical Assistance for social enterprise finance. This recommendation intends to building up the institutional capacity of selected financial intermediaries as well as the Investment Readiness (IR) of exemplary Social and Green Economy Enterprises:

- In the case of financial intermediaries, attention should be paid to supporting seed financing in the SE/GE sector, strengthening operational and institutional capabilities or supporting organizational development and expansion of intermediaries with a strong social focus. Financial intermediaries would be also able to receive funds to strengthen their programmes supporting investment readiness.
- In the case of IR, support should target SE/GE companies which are not ready for an investment and it should consist of non-repayable specific technical assistance.

The intervention may also include technical support for innovation-driven intermediaries like FinTechs in order to enhance market development for digitalized financial and non-financial services for businesses with a particular focus on SE businesses. Though not specifically linked to the SE sector, well-established FinTechs may leverage SE business in terms of access to capital (ex. Crowdfunding platforms, payment platforms), cost-efficient operational procedures (ex. real-time management/control procedures) but also SE-tailored financial services ((micro-)insurance). Thus, providing technical assistance (i) to local incubators/accelerators which specialize in supporting SE/GE business and (ii) to microfinance institutions and their related risk management issues linked to SE/GE which are mostly new segments for these institutions and can be an effective means to enhance their ecosystem capabilities.

This could be done by introducing an instrument similar to the EaSI Capacity Building Investments Window[10] but designed for investors dedicated to Social and Green Economy Enterprises. Such

[10] More info available at https://www.eif.org/what_we_do/microfinance/easi/easi-capacity-building-investments-window/index.htm

instrument is currently absent in the region. This could facilitate access to finance for actors such as COOPMED to foster its sustainability in a deteriorated scenario. Also, it may support other existing initiatives to become more clearly SII, such as regionally oriented “Anava Fund of Funds” in Tunisia which support technology-based start-ups in the region.

The instruments should be able to provide sufficient concessional funds (for example through Technical Assistance) in order to become fully operational.

Finally, focus should be oriented towards individual small-scale investments to final beneficiaries (SE/GE) to address the problem with the tickets size. Specific programmes can be also designed to gear towards the FinTech sector belonging to SII. These programmes will target specific FinTechs i.e. FinTechs that facilitate access to finance for SE enterprises. Such FinTechs improve financial infrastructure through innovative processes and tools that enables SE/GE companies among other to access different types of specific financial (like crowdfunding) and nonfinancial services.

RECOMMENDATION 6 – IMPLEMENTING EQUITY AND QUASI-EQUITY INSTRUMENTS

Rationale: Social and Green Economy companies often present a challenge for investors from the point of view of exit strategies[11]: and can result in a key financing gap for such actors which suffer for having access to (quasi-)equity investments. Two of the main causes for these challenges are horizontal governance and non-profit (or limited profit) nature of many of these companies. There is not such financial instrument in the region as signaled in the finding relating to “the absence of quasi-equity products, specific initiatives beyond granting and the need to strengthen their investment readiness as key barriers in the development of the ecosystem both at national and regional level”. We propose to address this by using examples from the EU and other countries (Canada). Furthermore, cooperative and cooperative-like (in areas where cooperative regulation presents a barrier) companies have demonstrated their capacity to address the issue of size of single tickets. This can also offer a solution to another dimension regarding size (the total size of the market for SE and GE), since in some countries such as Morocco, Egypt and (to a certain extent Palestine and Tunisia) cooperatives are numerous target groups which often remain outside of SII related interventions. Moreover, this can also address the Deal flow (by having an impact in the number of sustainable deals available) and the role of IFIs (by fulfilling their role of innovators supporting development of high value SIIs, seizing the above-mentioned opportunity in R5).

Implementation: EU actors should boost on-lending and investing to Social and Green Economy Enterprises under the form of equity and quasi-equity investment within selected funds and financial intermediaries[12]. Special attention should be given to those SE and GE enterprises where exit strategies

[11] We are referring mainly to those SE and GE companies with strong horizontal governance, not for profit status and/or asset lock as signaled in the corresponding finding (Horizontal governance and Non-profit companies)
[12] For some SE/GE with challenging exit strategies, it is not feasible to receive equity investment and for this reason there are more and more initiatives setting up quasi-equity instruments under the form of patient capital or participatory loans.

are more challenging. This recommendation is operationalized under a SII instrument to be implemented similar to the EFSI Equity instrument[13]/ Social Economy Trust in Canada[14].

The proposed intervention should at least include two different vehicles: quasi-equity for specific SE companies (with strong horizontal governance and high degree of asset lock) and equity for high Social/Green Impact companies with strong and refined KPIs. This should be done by providing senior and subordinated loans to SII funds and social enterprise lenders to boost on-lending to SE and GE companies and through the financial support to at least one patient capital vehicle.

As mentioned above, currently, there is not an instrument which could serve SE and GE enterprises with challenging exit strategies. It could also be used to provide subordinated debt with below market conditions to intermediaries investing in high Social/Green Impact companies with strong and refined KPIs. Such instrument could be set up by European IFIs following example of the EaSI Capacity Building Investments Window.

As for the patient capital (quasi-equity) vehicle, it could follow the example of the Social Economy Trust in Canada. The conditions of the vehicle could follow those of the Social Economy Trust in Canada:

- The initial investment from the Canadian government (in our case it could be the investment of EU/member countries) was around 15 MEUR for a total initial envelope of 35 MEUR.
- Quasi-equity loans have a 15-year grace period/ delay on repayment of capital.
- They provide two types of quasi-equity loans:
    - Operations Patient Capital (of between 35,000 EUR and 175,000 EUR) must not represent more than 35% of overall project costs.
    - Real Estate Patient Capital, which are to finance the construction and renovation of buildings, (of between 35.000 EUR and 1 MEUR) must not represent more than 32% of project cost.
- Both types of loans are non-guaranteed, with a fixed interest rate for the duration of the investment and a possibility of beginning to repay capital before the term ends with no penalty.

RECOMMENDATION 7 – PEER LEARNING PARTNERSHIPS TO GROW SOCIAL AND GREEN ECONOMY ECOSYSTEMS

Rationale: Developing a thriving ecosystem that support the SE and GE entities is a crucial but challenging issue given the low level of preparedness observed in the region. Holistic approaches are generally preferred to address such ecosystem issues as they not only tend to put in place all necessary mechanisms for market development but also to boost coordination among them. Thus, the proposed

[13] This instrument provides equity investments to or alongside financial intermediaries and is designed to provide "investments with the intention of generating social impact, targeting social enterprises and social sector organizations established or doing business in EU Member States". More info can be found here https://www.eif.org/news_centre/publications/eif_efsi_equity_en.pdf

[14] More info available at https://fiducieduchantier.qc.ca/?lang=en

recommendation adopts a comprehensive approach which addresses many findings namely, “Regulatory/trend issues, Role of intermediaries, Measurement, Need for cooperation among stakeholders, Overcoming mismatch, Size, Informality. In this sense, it is important to bear in mind that intermediaries, regulatory and policy barriers and the creation of new financial instruments tailored to the needs of SE and GE companies would also help them to grow and address both dimensions of the “Size” problem (the size of the market and the size of single tickets). By addressing a central issue in SII ecosystem building such as Social Impact Measurement (see specific recommendation about) will further build the capabilities of key factors such as IFIs, incubators, financial intermediaries and also policy makers to further adapt to the needs and reality of SE and GE.

Moreover, in order to better connect Impact Investors and social and green economy an improved cooperation among various stakeholders is necessary, such as national public administrations but also between SE and Impact Investors and intermediaries, etc. While enhancing cooperation is deemed to be an integral part of EU-sponsored programmes the recommendation specifically aims at stakeholders that operate or are interested in developing SE funding/investments. Consequently, this recommendation that addresses also the finding of the “Need for cooperation among stakeholders” has a particular and narrow scope and refers only to the SE sector.

Implementation: This recommendation is operationalized through activities aiming to address regulatory and other environmental features covering: a sett-up of a (series of) Peer Learning Partnership (PLP) that include public officials, SE and GE representatives.

This intervention can be implemented following 3 specific goals:

- Address regulatory issues: the overall goal is to support regional and national dialogue to implement Social Economy and SII regulations in line with the definitions for the two beneficiaries proposed above.
- Improve measurement: with the intent to further support the intake of internationally recognized metrics such as those proposed by GIIN or 2XChallenge having in mind the results of the “OECD Global Action on Promoting Social and Solidarity Economy Ecosystems” in relation to Social Impact Measurement.
- Promote governance and awareness raising: this sub-objective will help to balance initiatives including both SE/GE entrepreneurs and their networks and SI investors and their networks such as GSG but also others led by SE such as ESMED (Euro-Mediterranean Network of Social Economy).

This could be achieved by collaborative actions with solid track record in building friendlier ecosystems such as Peer Learning Partnerships (PLP) that include public officials, SE and GE representatives, SII representatives (as well as incubators and other intermediaries). As mentioned above these could address at least two main issues (under the form of Peer Learning Clusters within the Peer Learning Partnership):

1. Regulatory frameworks in the area of both SE/GE and SII, for example: Cooperative laws updates, Social Economy laws and certification schemes, disclosure regulation for sustainable investment, etc. Special attention should be given both to barriers and incentives to foster an "aggregation approach" (specially on the side of the SE/GE companies) and to address informality.
2. Measurement: For example, by most suitable metrics, the barriers and gaps for the most efficient intake of such metrics, etc. Specific attention should be paid to facilitating the intake of more complex KPIs in the area of Gender and Youth. For example, KPIs which go beyond women employment and expand to women economic empowerment, social inclusion of disadvantaged women categories such as unmarried women with children, disabled women etc. Gender also needs to be considered as a cross-cutting topic through some specific actions. Furthermore, in this specific area some potential VC investors are starting to dedicate resources to investments close to Impact investment. However, these are not yet SII and more efforts are required until they become real impact investors. A collaborative action built around learning such as PLP could be also an excellent strategy.

   In order to foster efficiency and impact it could be worth collaborating with existing initiatives in the same area as for example a potential follow-up to OECD's Global Action and Coop4Dev project. Also, initiatives such as GSG, 2XChallenge and GIIN could be involved either as full members of the PLPs or as collaborators.

   Finally, efforts are required towards the microfinance sector to adopt and report on standardized metrics to measure outreach such as the Poverty Probability Index (PPI) These efforts may come under grants, technical assistance and/or conditional financial to MFIs upon the effective implementation of these KPIs for targeting and monitoring purposes.

   This intervention could also include dissemination and awareness raising activities, such as global annual conference or specific awareness raising and dissemination activities at national level showcasing the cases analyzed in the PLPs. Besides this, collaboration with other relevant regional and national conferences could be established in the dissemination plan.
3. The potential of Islamic Finance seems still untapped despite of recent legislative initiatives introduced in Morocco, Tunisia and Jordan to boost its penetration.

   Special attention should be paid to Islamic Finance instruments/actors, namely:
   - Sharia-compliant bonds (Sukuk), For example in their role as vehicle for social impact investment.
   - Donations (Zakat), For example in their role as part of the financial structure/income of Social Economy enterprises.
   - Endowments/trusts (Awqaf), These, if combined with different types of Social Economy enterprises could mutually reinforce their sustainability and impact.
   - Mutual insurance (Takaful), These are potential actors also in supporting social and green economy enterprises and in channelling financial resources towards them.

Islamic finance shows great potential in channelling private domestic savings into the financial sector. OCDE suggests that part of Islamic finance worth of US$ 3.5 trillion in 2022, may be operationalized to promote sustainable development in Muslim-majority countries. Inappropriate/insufficient regulatory environment along with some misperceptions still hampers the development of Islamic finance in the region. However, as already underlined in the findings, some of Islamic finance vehicles like those based on compulsory saving (zakat), play a role in Social Finance, but in the form of grants either from CSR or natural persons to charities. Some of those charities are Enterprising Non-profits, and therefore they can be considered as parts of the Social Economy.

Sukuks like bonds are investments based on the performance of underlying assets which are structured under Sharia compliant rules. Social/green enterprises can play the role of such assets and thus attract sukuks investments particularly in the area of healthcare and education. Awqaf, like any other faith-based low-profit-seeking endowment are particularly keen in responsible investment in areas where social enterprises usually operate, which will among others raise public awareness on the availability of such instruments. This could be especially relevant in the case of Recommendation 9 (see below) with a specific activity proposed in this direction.

RECOMMENDATION 8 – BOOSTING SOCIAL INNOVATION IN ORDER TO DEVELOP THE SOCIAL IMPACT INVESTMENT ECOSYSTEM

Rationale: Social innovation is at the heart of SE/GE but innovation requires inducive environment made of supportive institutional capacities and funding mechanisms (supply side) which fuel creative businesses ideas (demand side). The Social Finance market is severely underdeveloped, and a key instrument could be the promotion of bottom-up, collaborative initiatives which at the same time address some of the issues signalled in the findings and addressed by other recommendations, but also produce innovation which can be a source of learning in the region. Thus, as demonstrated by EASI and the Social Finance program in Canada among others, it may not be sufficient to provide funds for the investors and financial intermediaries or to support SE/GE entrepreneurs in their efforts to become investment ready. There may be a need to experiment with other innovations such as the development of participatory loans, mutual guarantee companies or the use of distributed ledger technologies to improve social impact measurement. The proposed recommendation stresses the importance of social innovation by addressing the “Ecosystem capabilities” (by facilitating Social Innovations which address the gaps of the Ecosystem) and the “Deal flow” (by improving the options of some potential deals to become more investment-ready) findings along with the “Overcome mismatch” finding. The latter aiming at fostering collaborative initiatives which facilitates that resulting instruments and interventions are balanced from the point of offer and demand, and also that the existing variety in terms of instruments set up by IFIs (offer), results in a much-variegated set of instruments adapted to the need of SE and GE actors (demand).

Implementation: EU actors should promote innovative actions addressing gaps in the SII ecosystems. Such action should involve actors from both offer and demand sides and they should be directed at building the SII ecosystem by targeting both offer and demand as well as intermediaries. This recommendation is linked with other recommendations since it can improve and mutually reinforce actions within recommendations 5, 6 and 7.

This intervention could provide grants to develop four different targets:

- Preparatory actions supporting the demand and supply side of the market for social enterprise finance[15]. These could be: establishment of social finance partnerships, establishment of social finance instruments and mechanisms, establishment of collaborative funding models for social enterprises or development of investment readiness support for social enterprise, among others.
- Actions to boost the demand and supply side of the finance market for social enterprises[16]. Actions to be funded in under this theme could be the following:
    - Analytical activities such as market assessments, mapping projects, assessment of feasibility and suitability of setting up social finance mechanisms/instruments, design of methodologies, tools, processes;
    - Marketing/networking actions aimed at bringing in additional investors (e.g. organization of meetings or participation in relevant conferences/ fora that gather potential investors);
    - Training activities and capacity building actions (e.g., aimed at developing capacities for managing investments);
    - Knowledge dissemination and know-how transfer from and to peers in other EaSI participating countries (e.g., study visit, expert workshop, adaption of tools, procedures/contracts, etc.);
    - The replication or adaptation of proven financing or support models, to be implemented in other countries. This may also include translations.
- Transaction cost support for social enterprise finance[17]. Here we propose to include interventions related to the preparation, conclusion and follow-up of long-term risk capital investments into social enterprises which may include a mix of activities such as:
    - travelling to meet (potential) investees;
    - screening and processing investment applications;
    - preparing legal documents, potentially with a lawyers' advice;
    - carrying out the due diligence, including assessing (potential) impact of the investment;
    - providing investment readiness, scaling readiness or business restructuring support;
    - bringing in co-investors; managing the investments and monitoring social impact.
- Collaborative actions between Islamic Finance, financial intermediaries and SE/GE enterprises. This should try to include specific collaboration with the Global Islamic Finance and Impact

[15] Examples of actions to be funded through this can be found here: https://ec.europa.eu/social/BlobServlet?docId=13084&langId=en

[16] Examples of actions to be funded through this can be found here: https://ec.europa.eu/social/BlobServlet?docId=23243&langId=en

[17] Examples of actions to be funded through this can be found here: https://ec.europa.eu/social/BlobServlet?docId=23262&langId=en

Investing Platform's (GIFIIP). Here we propose to include any type of activities included in the previous three sections.

RECOMMENDATION 9 – UNLEASHING THE POTENTIAL OF THE PROXIMITY FACTOR

Rationale: SE businesses are above all community-rooted economic activities. This SE feature needs to be emphasized and promoted by all stakeholders as a means to contribute to the local development in countries where centralized political and economic systems are paramount and leave little room to locally- born economically viable solutions. This recommendation addresses a group of 4 findings: Proximity, Informality, Support, Role of IFIs and Cooperation among stakeholders. Among those, the issues of support and informality are particularly relevant since through this action these challenges are addressed at the adequate level but within a regional framework.

Implementation: EU actors should engage with and support current local public and private actors and NGOs who actively promote community-based SE activities. This is operationalized under the form of development support intervention, as described below. This could be achieved by country-level interventions to support the development of social and green economy initiatives in disadvantaged geographic areas and/or communities as for example the interventions implemented by the Italian Cooperation in Tunisia through bilateral and multilateral channels (mostly grants) to support decentralized, integrated local development, juvenile employment in sustainable agro-industrial activities, cross-sectoral development of territories and upgrading local authorities' capabilities with innovative SE-oriented economic analysis and planification tools/methods.[18]

This intervention could deliver grants to SE-oriented local businesses and technical assistance to other actors, public and private aiming at:

- Building a viable local SE business sector with the potential to networking into formalized entities as a factor of sustainable growth.
- Supporting public policy implementation in these areas in relation to the SE but not only in order to ignite and sustain local economic dynamics and market.

Supporting local NGOs providing business development services to the SE businesses in these areas. Funding, mostly grants but also "prêts d'honneur", and technical assistance preferably to export-driven entities can also be a valuable tool in strengthening local cohesion in fragile/declining communities.

1.5. RECOMMENDATIONS RESULTING IN NEW INSTRUMENTS

Besides the previous recommendations which are further developed under a highly operational form, and which could be implemented under the form of policies or programs, we propose a series of other ones which are either addressed at issues related to the internal organization of work (such as ECTF or

18 https://tunisi.aics.gov.it/wp-content/uploads/2020/07/Fiche-thématique-ESS.pdf

the policy dialogue of the EU with target countries) or go beyond their use in a single program or intervention.

RECOMMENDATION 10: INCLUDE SE, GE AND SII ISSUES IN ALL RELEVANT AREAS OF THE POLICY DIALOGUE

Rationale: Policy dialogues have proven to be a suitable avenue to advance various topics of interest for both EU and its partners. Policy dialogues provide a framework for EU and countries' policymakers to converge on common understandings of socio-economic issues and to identify opportunities for cooperation and support. However, this increasingly relevant and multifaceted issues have insufficiently or unevenly addressed at country level. Thus, such a platform can be useful in addressing the "Regulatory issues and trend" finding with the goal to promote and adopt good practices throughout the region but also, in more general terms, in raising countries' awareness and preparedness on SE/GE.

Implementation: *Policy dialogue of the EU in all countries should include SE/GE and SII in policy issues such as entrepreneurship laws, fiscal reform, social dialogue and industrial relations, MSMEs, financial regulation (such as Microfinance, Crowdfunding, etc.) and also tax policies (from the point of view of relevant issues such as capitalization of MSMEs and/or informality). Special attention should be given to clarify the scope of both SE/GE and SII and to the promotion of removing regulatory barriers limiting access to funding and to public contracts to all types of SE/GE actors.*

An example of introduction of SE, GE and SII in relevant areas of regional and country level policy dialogue could be a case where a policy dialogue exists in the area of Economic and Social Reform and sustainable development (or similar) when it refers, for example, to a Functioning of Market Economy or in the area of fiscal reform when considering improving the equity of the tax system. In the first case SE and GE have been key in the New Industrial Strategy addressing issues regarding the Single Market. In the second we can see examples of key policy innovations regarding Social Investment and the role of Social Economy in the case of the introduction of the « Entreprise solidaire d'utilité sociale » (Social utility solidarity enterprise) in France.

Social and civil dialogue

Tunisia was the first country to vote a framework law on Social and Solidarity Economy in the Arab countries. The Tunisian Parliament adopted it almost unanimously and the law is inspired from the law voted in France in 2014. The French model is also of inspiration for Morocco's strategy, a comprehensive one focusing a lot on SDGs and communities. Both countries have a long tradition in SSE and in learning / adapting some European practices and connecting with the most advanced and structured ecosystems in the EU, namely France, Italy, Spain in the first line. These European countries have some common features related to:

- The presence and relevance of social economy into Social Dialogue and Industrial Relations structures (e.g., for collective bargaining, working conditions standards etc.) at different levels (national partners, or sectorial level or company level) is not by chance that in Tunisia Trade Unions played such an important role in supporting the framework law adoption.

- A recognition of the representative federations, associations or platforms from social economy as an employer-type of actor – similar to other "classic" SMEs or large enterprises representatives: Coops in Italy, CEPES in Spain, ESS France, UDESS in France.

- A priority in Public Procurement assignments (Socialy Responsible Public Procurement – cfr below)

- A long tradition in developing tailored support structures and financial instruments. It is not by chance that the most active Impact Investors in the region are connected (promoted, created) by social economy financial actors: Inpulse |Credit Cooperatif just to mention one.

Thus, supporting such approach in the region is another capital line of intervention able to support the social and green ecosystem.

Important measures may include to promote the reservation of public procurement contracts for SSE enterprises and socially responsible public procurement (SRPP). Public authorities can engage in socially-responsible public procurement by buying ethical products and services, and by using public tenders to create job opportunities, decent work, social and professional inclusion and better conditions for disabled and disadvantaged people. SRPP is about achieving positive social outcomes in public procurement contracts. Procurement affects a large number of people: users of public services, those involved in production and delivery, or staff of the buying organisation. Beyond those directly affected, SRPP has the potential to influence the broader market on both the demand and supply sides. – this topic has been having huge attention in the EU as well since years, especially after 2014 Directives on Public Procurement and further initiatives. "In June 2020 the European Commission published a collection of 71 good practice cases showing how public buyers have implemented socially responsible public procurement (SRPP), to promote employment opportunities, decent work, social inclusion, accessibility, compliance with social and labour rights in the EU and globally, while delivering high quality social services and facilitating access of social businesses to public tenders. [19] The report compiles cases from 27 countries: 22 EU member countries and 5 non-EU countries. The cases address a diverse selection of products and services, encompass all phases of the public procurement process, and include a broad range of public buyers, ranging from local and national governments to public hospitals. These good practices also show that SRPP is possible in a wide array of sectors." SRPP, can be a driver towards: •

[19] https://ec.europa.eu/info/making-socially-responsible-procurement-work-71-good-practice-cases_en

Promoting employment opportunities and social inclusion • Providing opportunities for social economy enterprises • Encouraging decent work • Ensuring compliance with social and labour laws [20].

RECOMMENDATION 11: SETTING UP OF A REGIONAL TASK FORCE

Rationale: In the mapping phase, many interviewees pointed out scattered and uncoordinated IFIs efforts in supporting SE/GE sector development in the region. Both the "novelty" of the SE topic and the current local and international trends require that exchange of knowledge and coordination among different services and departments of the EU in the region are reinforced. This would also facilitate external coordination with other key actors, such as IFIs and other international investors and institutions such as the OECD, GIIN or bilateral cooperation agencies. Involvement of non-EU donors would be also an enriching factor.

It is important taking inspiration from the external dimension "chapter" of the Action Plan on Social Economy. Furthermore, there is a tendency to regionalize key coordination initiatives such as the UN Task Force on Social and Solidarity Economy and this will help the EU to maintain its leading role in the region. Finally, this would could also help to address some key topics such as those mentioned in the findings about "Regulatory issues" and "Measurement".

Implementation: The introduction of a regional task force should be promoted, to better coordinate efforts. A tentative composition could consist of: one focal point in each delegation dealing with SE/SII related projects or having at least a role of collecting information at country level, key public officials from DG NEAR A.3 and NEAR.DGA2.B.2 and possibly from INTPA (A, C and E for example). Coordination of such TF should be managed by NEAR.DGA2.B.2. Such TF should also include participants from IFIs such as EIB and EIF and also invite other external to the EU institutions such as Proparco, IFC and SANAD to specific meeting dealing with relevant topics. Their goals and functioning could be based on the ECTF on Social Economy and it could be a "sub-section" of it. It should also facilitate a structure participation in international networks such as the above-mentioned UNTF on Social and Solidarity Economy and the collaboration with organisations such as GIIN or GSG. Finally, it should also foster collaboration with initiatives such as 2XChallenge, or the different initiatives of the OECD (such as MENA-OECD Initiative on Governance and Competitiveness for Development or the OECD Global Action "Promoting Social and Solidarity Economy Ecosystems").

RECOMMENDATION 12 – SPECIFIC KPIs FOR SOCIAL AND GREEN ECONOMIES

Rationale: In the finding about measurement we explain, that paradoxically, in the areas with major social needs and challenges, approaches such as impact investment, social and green economy may require an extra effort to fulfil their role as niche concepts/proposals. Otherwise, everything can be considered impact or social by simply starting a new income or employment generating enterprise. This also requires metrics which are adapted to such challenge and the deployment of supplementary capabilities to assess the real transformative power of both investment and undertakings. In this case,

[20] https://ec.europa.eu/info/policies/public-procurement/tools-public-buyers/social-procurement_en

most IFIs are using simple KPIs which do not even fulfil the directions provided by initiatives in which they are signatories/collaborators. Moreover, social-focused KPIs requested by final beneficiaries are hardly found e.g., in terms of the survivor rate of businesses, businesses profitability, the livelihood's improvement of households etc. [21]. This would also help SII investors which are already using a much more complex approach to Social Impact Measurement such as the Social Economy Social Impact Investor COOPMED. Moreover, most international guidance initiatives signal a need to develop a collaborative social impact measurement. Such co-production is even more important if we look at other findings such as the mismatch between offer and demand, the need for cooperation and the role of IFIs.

Implementation: Supporting a dissemination and use of specific KPIs for the SE sector throughout the region is of capital importance. As already mentioned, social-focused KPIs are rarely used by final beneficiaries of the funding while the most indicators currently used are general and can be virtually applied to any business and be considered as impact or social by simply starting a new income or generating employment.

While there is a great variety of indicators for monitoring and assessment of the impact of SE businesses, OECD provides operational guidelines to set KPIs prone to match IFI's objective in supporting SE. A wide variety of metrics and KPIs are already at the disposal of the IFIs and financial intermediaries such as above-mentioned KPIs from the 2XChallenge initiative[22]. The use of these types of KPIs have already been suggested throughout the report and is considered relevant to many components of the proposed interventions, such as the guarantee fund, the SII instrument and the social innovation activity. Below we expand and present a more comprehensive set of dimensions in line with the recently published report from the OECD[23] which KPIs (along with specific examples of indicators) should address:

- **Economic prosperity and employment indicators.** This dimension include KPIs such as access to finance, access to capacity building, access to governmental product and service development assistance, investment through social and solidarity economy organizations, labour market changes (e.g., net change in employment directly attributed to social and solidarity economy organizations, speed of hiring), effects on economic resilience to shock and risks, job quality (e.g. career trajectories, new leadership roles) and reduction in income inequality.
- **Social inclusion indicators.** In this dimension we could include indicators related to the support of specific vulnerable groups including through democratic governance, such as democratic decision making and practices, inclusive management, and inclusion of marginalized groups, measures of participation and organizational cohesion (e.g., solidarity, autonomy, mutual trust

[21] https://www.commonapproach.org/wp-content/uploads/2020/07/FlexibleStandardsBriefing.pdf

[22] "Investee should have one policy or program—beyond those required by local law—addressing barriers to women's quality employment, with evidence of implementation or a commitment to implement." Each relevant group assessed against these criteria must have a relevant quality Indicator. Guide to the 2X CriteriaVersion 2.0June 2021: https://static1.squarespace.com/static/5b180402c3c16a6fe0001e45/t/60bfe7c22d1a9a22ea0b775e/1623189445146/2XReferenceGuide_Designed_June+2021+UPDATE_final.pdf

[23] OECD (2021). "Social Impact Measurement for the Social and Solidarity Economy", OECD Local Economic and Employment Development (LEED) Papers, p. 36.

and cooperation, capacity for self-management) and accountability to stakeholders (assessed via rubrics).

- **Well-being and community**. In this dimension we could include indicators, such as those pertaining to community embeddedness and proximity services (e.g., number of people affected, new supportive relationships created, measures of social cohesion), psycho-social well-being (e.g., quality of life, level of optimism), but also political participation (e.g., access to policy makers).

Finally, it is important to signal that metrics in general and specific KPIs in particular should be designed in collaboration with key stakeholders[24]. This collaboration would not only facilitate their ownership but also the efficiency of impact measurement and improve other key features of the ecosystem. In relation to co-production of KPIs and general SIM frameworks, it is interesting to look at the Canada's government funded program Common Approach which proposes co-produced Flexible Standards.

[24] " Co-designing and sharing ownership of the indices used to measure social impact with social economy organisations, their stakeholders and beneficiary communities can be an enabler for social impact." From the highlights of The Social and Solidarity Economy: From the Margins to the Mainstream of the OECD. 13-16 September 2021

2. POLICY REFERENCES

This chapter highlights the connection between EU policies and the Findings/Recommendations: the whole set has been conceived to be in line and showcase a clear alignment.

The social economy action plan

Newly published Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions **"**Building an economy that works for people: an action plan for the social economy" [25] represents the most important and recent policy source for the sector.

"During the last decade the Commission has taken significant steps to boost the development of the social economy and social enterprises as part of the European social market economy. The past achievements need to be consolidated and enhanced so that the EU can meet the needs and reap the opportunities stemming from demographic challenges and the green and digital transitions, while building a fair, inclusive and resilient economy as a long-term answer to the consequences of the Covid-19 crisis. This action plan provides a European framework until 2030 to further support the development of the social economy. It sets out a series of actions to be put in place in conjunction with the implementation of the European Pillar of Social Rights Action Plan and achievement of its employment and poverty reduction targets. The Commission will highlight the potential of the social economy to create jobs and foster social cohesion in the context of the European Semester process and Member State implementation of the Employment Guidelines. The action plan was developed in cooperation with social economy stakeholders, and its implementation will equally require their commitment and cooperation at all levels – EU, national, regional, and local, and international."

A specific part, in particular Section 3.4 Promoting the social economy at international level is dedicated to the "external dimension" of the social economy. This section highlights that the "EU and third countries share common objectives, embedded in the 2030 Agenda for Sustainable Development. The social economy can help achieve these objectives both within and outside the EU. Therefore, the actions announced in the other sections of this Plan can also inspire support for the social economy in non-EU countries. The degree of development of the social economy varies significantly across third countries. Some have long-standing traditions in certain areas of the social economy. Others have flourishing social innovation or social enterprise ecosystems, but in many social economy models are only beginning to emerge. Stakeholders can benefit from sharing experience and good practices, which can help accelerate reforms."

[25] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions.

In the annexed Staff Working documents a focus on promoting the social economy at international level outlines some challenges as perceived by stakeholders and experts [26]. The challenges as perceived by stakeholders demonstrates a clear connection with the findings of this study:

- Lack of a common understanding of social economy at the international level
- The social economy is not well known to EU delegations, who lack adequate training and information on its particularities
- Lack of data and information on the challenges and experiences faced by the social economy in partner countries

The EU policy for social Economy

In view of its potential to address societal challenges and contribute to economic growth, the EU had previously launched a large number of actions to support the development of social enterprises and the social economy under the 2011 Social Business Initiative (SBI) and the 2016 Start-up and Scale-up initiative.

More recently, a number of Commission initiatives have called on the potential of social economy:

- A Strong Social Europe for Just Transitions
- Circular Economy Action Plan
- SME Strategy
- Renovation Wave
- Recovery Plan – Next Generation EU
- Africa Strategy
- Youth Employment Support Initiative
- Action Plan on Integration and Inclusion
- European Skills Agenda
- EU Roma Strategic Framework
- Economic and Investment Plan for the Western Balkans
- Renewed partnership with the Southern Neighbourhood - A new Agenda for the Mediterranean

[26] Commission staff working document: Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Building an economy that works for people: an action plan for the social economy (COM(2021) 778 final)

Social economy organisations also contribute to the implementation of the [European Pillar of Social Rights].

The European Neighbourhood Policy

The European Neighbourhood Policy sets a "new, ambitious and innovative Agenda for the Mediterranean, drawing for the first time on the full EU toolbox and the ground-breaking opportunities of the twin green and digital transitions, in order to relaunch our cooperation and realise the untapped potential of our shared region". Moreover, the "perspective of the post COVID-19 recovery offers a rare opportunity for Europe and the Mediterranean region to commit to a common and people-centred agenda and take actions necessary for its implementation." The new Agenda aims for a green, digital, resilient and just recovery, guided by the 2030 Agenda for Sustainable Development, the Paris Agreement and the European Green Deal. The objectives for the years to come are to build fairer and more prosperous and inclusive societies for the benefit of people, especially youth.

The Joint Communication highlights the current challenges of the Southern Mediterranean region which "is facing governance, socio-economic, climate, environmental and security challenges, many of which result from global trends and call for joint action by the EU and Southern Neighbourhood partners." To seize this momentum, the Joint Communication proposes also an "Economic and Investment Plan for the Southern Neighbours" which will help spur long-term socio-economic recovery, foster sustainable development, address the region's structural imbalances, and tap into the region's economic potential.

A focus Social and Green Economy Ecosystems

In the new Agenda for the Mediterranean guiding the EU's policy towards the region and the multi-annual programming under the EU's new Neighbourhood initiatives there is a strong focus on sustainable economies: "Economic diversification is important, especially for countries that rely heavily on sectors prone to economic shocks. The EU and its partners will work together to benefit from the growth in the green and digital economies, in line with the objectives set by the UfM sectoral dialogues. Here social economy is highlighted**:**

"Thanks to its business models that put people and the planet at their core, the social economy holds potential to address many societal challenges and increases our society's resilience in times of crises." Therefore, the action foresees a "mainstreaming support for the social economy in regional and bilateral programmes, including support for developing adequate legal and policy frameworks, strengthening institutional capacity and enabling mutual learning."

MORE HIGHLIGHTS AND EXCERPTS FROM THE AGENDA:

Inclusive economies

"Under the new Agenda for the Mediterranean we propose to work together to support systems and recovery strategies in line with the objectives set by the UfM sectoral Dialogue on Employment and

Labour that (i) foster equality of opportunities and outcomes, and (ii) prioritise social dialogue, social protection and inclusion in order to address social and territorial inequalities.

Enormous positive returns could be brought by creating prospects for young people in their country by preventing brain drain and creating decent employment for all, and by increasing women's labour market participation and their economic empowerment. This should be placed at the centre of the design and implementation of socio-economic reforms and investment initiatives. Moreover, we should focus on the impact of the informal economy on people's welfare and partners' public finances and support skills policies for all, also in view of supporting formalisation. "

Action points: Support to inclusive, resilient, sustainable and connected economies

- Co-financing sustainable investments funded by partners' sovereign recovery funds in the context of the EFSD+.
- Developing and supporting joint reform matrices focusing on the investment climate and the business environment.
- Supporting initiatives to assist partners in stepping up support to the green, blue and social economies through innovative financial vehicles, (including impact finance) and the development of adequate regulatory ecosystems.
- Providing technical support to promote financial inclusion, especially on digital payments and digital literacy for SMEs, especially in rural areas.
- Participation in the EU Framework Programme Horizon Europe.
- Mainstreaming support for social economy in regional and bilateral programmes, including support for developing adequate legal and policy frameworks, strengthening institutional capacity and enabling mutual learning.
- Assisting the development of sustainable tourism.

Empowered youth

"Investing in young people and children should be at the heart of our cooperation. Empowerment, participation and involvement of young people as agents of change is key to achieving the priorities of the Agenda 2030. We propose to (i) support the mainstreaming of youth in national policies, (ii) help our partners improve their education systems governance and (iii) give priority to addressing structural causes of school dropouts; young people not in lack of opportunities, education, employment or training; skills mismatches, youth unemployment; and brain drain. Effective coordination and partnerships across policy fields, including with youth organisations, are crucial in terms of boosting quality employment as well as education and training opportunities. We need to work together to increase people-to-people contacts as a successful cooperation area with tangible results and benefits for all. Opening up and facilitating access to EU programmes for our Southern Partners, as well as to relevant European networks will be crucial. In this context, the Southern Mediterranean will remain a priority region under the Erasmus+ programme. Over the 2021-2027 period under Erasmus+, young people will benefit from new capacity building opportunities in the fields of vocational education and training, sport and digital education and youth. The EU will aim to better spread the benefits of Erasmus + across the region and increase the uptake of the Creative Europe programme to make the most of the creativity of the region`s young people. Child protection programmes and psychosocial support for children affected and displaced by conflict need to be improved with particular focus on access to education and healthcare."

"In line with UN Conventions on the Rights of Persons with Disabilities (UNCRPD), the EU will continue to work with our partners to ensure the full enjoyment of the rights of persons with disabilities"

Action points: Promote human rights, the rule of law, democracy and good governance, gender equality and equal opportunities for all and support to civil society

- Further develop relevant legislative and institutional reforms in the areas of human rights and good governance.
- Supporting steps to combat all forms of discrimination.
- Promoting international social and labour rights, as well as international labour standards as classified by the International Labour Organization (ILO).
- Supporting the economic empowerment of women and youth (including children), encouraging their active involvement in decision-making.
- Promoting steps to eliminate violence against women and girls, including conflict-related sexual and gender-based violence.
- Providing capacity building for civil society organisations (CSOs), including support for the digital and green transition.

Action points: Enhance human development, health and cooperation on youth, education, skills and culture

- Participation in EU programmes like: Erasmus+, Marie Skłodowska-Curie Actions under Horizon Europe, Creative Europe Programme, as well as in relevant European networks.
- Cooperating on digital education under the 2021-2027 digital education action plan.
- Cooperating in the anticipation of skills needs and, in the design, and development of skills and strategies in a lifelong learning perspective, with the support of the European Training Foundation for vocational education and training (VET), skills and capacity development, including skilling for green jobs and green economy.
- Supporting integrated approaches and the capacities of relevant ministries (education, employment, health, culture and social protection) to improve the access and quality of services to young people and people not in education, employment or training (NEETs).

Support to the private sector, especially SMEs, will also have a fundamental role to play. The EU and its partners should work together to support entrepreneurship and its ecosystems, including social and cooperative entrepreneurship, and start-ups from idea generation to maturity. The potential of diasporas should be used more actively in order to transfer competencies, knowhow and technologies and contribute to the creation of business links between the EU and Southern partners. The funding gap for SMEs in the region constitutes a real brake on their development. On access-to-finance, which should also include refugees, we intend to work with IFIs to develop a comprehensive approach to financial inclusion, including micro-finance, and social enterprise finance, and on the use of new financial instruments, including venture capital, business angels and impact finance.

A renewed commitment to unity and solidarity between EU Member States, as well as a mutual and shared commitment and joint actions with partners in the Southern Neighbourhood, is a precondition for the effective implementation of the Agenda for the Mediterranean. This holds true for efforts to resolve conflicts and address shared security concerns, as well as for economic and sectoral cooperation.

UfM and the Social Economy

The Ministerial Declaration of the 4th UfM Ministerial Conference on Employment and Labour held in Cascais on 2-3 April 2019, already placed an “unequivocal emphasis on Social Economy, not only as an alternative way of delivering economic, social and environmental value, but also a smart way of unlocking resources, creating sustainable employment, and generating inclusive economic growth in the region. They call for “promoting Social Innovation and creating an enabling environment for Social Enterprises to unleash the full potential of Social and Solidarity Economy,” and “acknowledge the role it will play in the context of the work program on UfM Industrial Cooperation and SMEs development.”

Green growth has been widely recognised as an essential element in achieving climate mitigation targets refined in the Paris Agreement. The Europe 2020 Strategy has recognised the central role of the transition towards a green, low-carbon and resource-efficient economy in achieving smart, sustainable and inclusive growth.

Today, the European Green Deal presents a roadmap for making the EU's economy sustainable by turning climate and environmental challenges into opportunities across all policy areas. The EGD outlines the investments needed, available financing tools and explains how to ensure a just and inclusive transition, which could have spill-over effects on neighbouring Mediterranean countries.

The EC considers that "Social economy" is a part of the economy driven primarily by collective interests as well as social and environmental objectives. The EU action plan for social economy will be published in the third quarter of 2021: it will include a specific chapter on the "external dimension" and specific measures for the "Southern Neighbourhood". This initiative seeks to boost the contribution of social economy organisations to a fair and sustainable growth. It will enhance social investment, support social economy actors to start up, scale up, innovate and create jobs.

Proximity and Social Economy (including Rural and agricultural policy)

- To foster socio-economic sustainability at the local level could also contribute to strengthening national systems. EU enhanced policy dialogue should also encourage the deepening of public-private dialogues.
- In the Autumn of 2019, the European Commission announced the preparation of the European Commission's Long-Term Vision for Rural Areas to create a shared European vision for its vibrant, connected and sustainable development by 2040, respecting rural Europe's diversity following the principles of equality and innovation.
- Regarding the CAP - common agricultural policy, here we find other important references for the support for (rural) social economy.
- Launched in 1962, the EU's common agricultural policy (CAP) is a partnership between agriculture and society, and between Europe and its farmers. It aims to:
  - Support farmers and improve agricultural productivity, ensuring a stable supply of affordable food;
  - Safeguard European Union farmers to make a reasonable living;
  - Help tackle climate change and the sustainable management of natural resources;
  - Maintain rural areas and landscapes across the EU;
  - Keep the rural economy alive by promoting jobs in farming, agri-food industries and associated sectors.

Social farming / The Work Integration Social Enterprises (WISE) are often indicated as a tool for inclusion and empowerment in rural areas.

"Business development also remains an important challenge in rural areas. Several trends such as digitalisation or development of the green economy can open opportunities to businesses that were not possible before. Adequate access to basic services and infrastructures is essential to exploit these opportunities and create the right environment to develop and attract new rural business. The new CAP Strategic plans will stimulate generational renewal and job creation via supporting young farmers (either in Pillar I or II), investments in rural businesses and infrastructures and skills acquisition through innovation support, training and advice. These support mechanisms should make a substantial contribution to job creation and the development of the sector in rural areas. Regarding social inclusion, an important challenge is access to basic services (including health and education) and basic infrastructure (i.e. water and energy supply, access to internet), necessary in order to have more inclusive rural areas and to address the rural/urban divide highlighted in the Commission Report on the Impact of Demographic Change. Different types of interventions under the future CAP Strategic Plans will contribute to this goal, including investments (providing for basic services), cooperation and knowledge exchange and information, promoting innovation and access to training and advice. In addition, the CAP foresees a 5% ringfencing for LEADER (local development). All these measures can also contribute to addressing the challenges faced by groups that need specific support (e.g., seasonal workers, semi-subsistence farmers, people with a migration background, Roma, the elderly, youth, children, or persons with disabilities in rural areas, or people in rural areas affected by depopulation).

DG AGRI also contributes to promoting social inclusion, poverty reduction and economic development in rural areas through the participation in the relevant interservice groups dealing with the European Pillar of Social Rights, gender, youth, ageing, disabled, the integration of third-country nationals, Roma and other vulnerable groups, and providing the relevant input to policy documents (i.e. Report on the impact of demographic change, Green Paper on Ageing, Gender Strategy, Roma Strategy, Youth Employment Support, etc.). ”