The Implications of DG GROW Abandoning the Social Economy at a Critical Juncture

The Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW) has long been a pillar of support for the social economy, fostering innovation, sustainability, and inclusive growth. However, the recent announcement that from May 1st, DG GROW will be relinquishing its commitment to the social economy comes at a critical moment. It will have far reaching consequences, undermining the progress achieved and stalling future advancements in this crucial ecosystem. And most of all this decision undermines economic policies based on people and local needs.

The geopolitical landscape is in turmoil, the EU economy and way of life are under threat with the upending of international trade norms, inflationary pressures, war at our borders and threats to our democracy. The new Commission's response is to focus on competitiveness and defense, which of course is necessary, but at what cost and how? Commissioner Séjourné's narrow strategy is to focus on our export economy and at the same time he is abandoning the only economy that has a proven track record of resilience at a time of crisis. May 1st, the unit responsible for social economy (SE) and social entrepreneurship will be disbanded in DG GROW. Dismantling the Social Economy Unit will see institutional knowledge built up over the last decade lost. As alarming, these days some funds supporting SE actors (COSME) were suddenly cancelled, raising alarming concerns for the ecosystem.

This decision makes neither economic nor administrative sense. The social economy ecosystem is economically speaking an important one, on a par with the automotive sector: social economy has over **4 million enterprises** and organisations directly employing over **11 million people** and in 2021 it had a turnover of nearly **1 trillion euros** (that's more than the Swiss GDP last year).

There is more to the social economy: it uniquely integrates economic, social, and environmental objectives. It prioritizes social goals over profit, reinvests earnings into the social objectives, and operates with democratic governance. It is an economy that works for people and the planet.

The OECD, UN, ILO, and European Commission have recognized SE's contribution to inclusive growth, cohesion, sustainability, innovation, and democracy. In 2023, In late 2023, all 27 Member States agreed to "*take measures in order to acknowledge and support the role of the social economy*" including integrating social economy in national industrial policy. SE supports EU goals such as **local value chains, quality jobs**, and the **clean industrial transition**. Driven by locally rooted enterprises, SE answers community needs while also **exporting globally**. Its democratic governance includes workers, consumers, and citizens, reducing risks of **low risk of 'off-shoring', delocalisation** and **killer-acquisition**. These features make SE key to a "**Made in EU**" strategy.

SE businesses operate **everywhere**—from capital cities to rural areas (which make up 45% of EU land and 21% of the population)—offering **ultra competitive businesses** as much as essential services **in underserved areas** that enable communities to thrive. From small entities to major groups, SE provides unique solutions to the energy crisis, the housing crisis and empowers people and businesses with digital solutions. It drives Europe's sustainable farm-to-fork strategy. We are your health mutual, your sports club, your ethical financial partner, your local cultural centre, we take care of your babies and elderly, we are active in industrial activities and in the circular economy, we provide jobs to all, including people with disabilities.

Moreover, SE is a **pillar of democracy**, thanks to civil society organizations and through its democratic governance that upholds European values of dignity, freedom, equality, and human rights. Through sustainability and community empowerment, it builds a resilient, just, and **inclusive Europe**.

To be fair, the European Commission hasn't totally discarded the SE: thanks to a strong lobby, Commissioner Roxana Mînzatu has been mandated by President von der Leyen in her mission letter to support SE. She has enthusiastically accepted this role and is engaged in further promoting and implementing the Social Economy Action Plan adopted in 2021. This initiative was supported by both the Commissioners for Social Affairs and the Internal Market because they understood the SE stands on 2 pillars: social and economic. This was reflected in the intense cooperation between DG GROW and DG EMPL to further deploy the SE in their respective activities and policies. **Separating the economic and industrial dimension from its social mission undermines the impact of SE** which plays a critical role in **advancing industrial autonomy, competitiveness, and territorial resilience.**

Disbanding the SE Unit within DG GROW is a major mistake, there will be no one left dealing with the Single Market to oversee initiatives and policies that impact on the SE. Not only does it weaken the understanding of SE, it impedes a coherent approach to SE in economic policies, and will end DG GROW's initiatives to enable SE businesses access markets and supports on an equal basis with the private for-profit sector. This cut will result in fewer human and financial resources and expertise for SE businesses within the Commission. In fact important funding for SE (COSME calls) have abruptly been stopped last week, with no explanation.

This comes at a time of a shifting world. SE has proven resilient throughout all the recent crises (2008 and COVID) and is a proven source of resilience for local communities. Its exclusion from the economic and industrial policy arm of the Commission at this critical time is incomprehensible. The Letta Report on the Single Market recognized that the EU is more than a Market. The issues we face can not be resolved if economic practices are divorced from social considerations. We need economic policies that integrate social and environmental dimensions and that means also supporting an economy that embeds these aspects by design.

At this late stage we do not expect Commissioner Séjourné to reverse his decision and maintain a fully staffed SE Unit within DG GROW. We have tried to convince him but not one member of his Cabinet could find the time to meet us. The Commission's Expert Group on the Social Economy (GECES) was not afforded the courtesy of being consulted beforehand, it was simply told that DG GROW would no longer take part in the Expert Group.

However, we do **ask** that Séjourné ensures that the Social Economy continues to have a presence within his Department. At minimum, this requires that a **senior Commision official be assigned responsibility for the Social Economy** ecosystem with responsibility to oversee all industrial initiatives and policies impacting the SE and to coordinate with the social pillar of social Economy (within DG EMPL). It also requires a proper budget allocation, and certainly not a reduction. The SE ecosystem looks forward to **constructive dialogue and cconrete answers as to the future of the industrial ecosystem**, we wish to be recognised as allies that help overcome the EU's challenges.

Signatories

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