

# **Policy Paper | Support for the Digitalisation of Social Impact**

**How digital competences can improve the action and impact of the third  
sector**



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## List of Acronyms

D&A	Diversity and Ability
EC	European Commission
EDIH	European Digital Innovation Hubs
ESF+	European Social Fund Plus
EU	European Union
GDPR	General Data Protection Regulation
SDGs	Sustainable Development Goals
SEs	Social Enterprises
SESO	Social Enterprise Support Organisation
SIB	Social Impact Bond
TSOs	Third Sector Organisations
UK	United Kingdom

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### About EU3Digital

EU3Digital, is an Erasmus+ funded project, which aims to gather and develop learning resources for third sector

*organisations and social enterprises to increase individuals' and organisations' digital competences. The EU3Digital outputs serve to support these individuals and organisations in advancing their digital strategies, engaging with existing digital support, software and building capacity. The project partners are based in Portugal, Croatia, Spain, United Kingdom and The Netherlands.*

# Introduction

The Digital Transition has been underway for many years with digital skills increasingly growing in their importance and now becoming for the first time an indisputable necessity for third sector organisations (TSOs) and social enterprises (SEs). Global developments in the last few years, not least the Covid-19 pandemic, have led to the rapid acceleration of the digital transformation of TSOs and SEs.<sup>1</sup> This sudden acceleration showcases the tremendous potential of digital products, services and skills to boost resilience, agility and the innovation capacity of the third sector.<sup>2</sup> At the same time, the Digital Transition also brings risks for TSOs and SEs with their often limited resources and specific services for their target groups facing an all too possible reality that they and their beneficiaries could be left behind by the transition.

The specific challenges facing TSOs and SEs to make a success of the Digital Transition include:

- Visibility
- Access to knowledge
- Access to digital skills
- Access to technical skills
- Access to infrastructure
- Access to necessary competences
- Access to finance and investment

We therefore believe that supporting and investing into the Digital Transition of the third sector and the social economy is a crucial action that must be supported by the European Commission (EC) and European Union (EU) Member States. Through action at both the EU and Member State level, the sustainability, innovation capacity and resilience of the third sector and social economy in Europe and beyond can be ensured.

We welcome efforts to support the Digital Transition of the third sector through InvestEU and recent initiatives of the EC (DG Grow), such as through the development of a [Transition Pathway for the Proximity and Social Economy Industrial Ecosystem](#). This policy initiative fits into the wider New European Industrial Strategy and will work to achieve a Twin Green and

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<sup>1</sup> Third Sector (2022), Third Sector Podcast: Digital transformation with purpose, <https://www.thirdsector.co.uk/third-sector-podcast-digital-transformation-purpose/article/1740382>

<sup>2</sup> The European Innovation Scoreboard (2021), No innovation without digital skills, <https://digital-skills-jobs.europa.eu/en/latest/news/european-innovation-scoreboard-2021-no-innovation-without-digital-skills>

Digital Transition that is just and fair, identifying the challenges and opportunities for the Proximity and Social Economy to make the most of this period of transition and change. The Transition Pathway will seek to increase the resilience of social economy actors, as well as the establishment of other EU instruments to boost digital skills, tools and competences (knowledge, skills and attitudes). Such instruments would include the European Social Fund Plus (ESF+), Digital Europe and Erasmus+.

This paper serves to support the wider work being undertaken at the EU level, bringing insights from the research and training activities conducted as part of the EU3Digital project which can further shed light on the needs and challenges of the third sector and social economy. We therefore would like to reiterate the importance of focusing on the following priorities resulting from our research and training with sector representatives from Croatia, Portugal, Spain, the Netherlands and the United Kingdom (UK).

# Our priorities

We emphasise the importance of focusing on the following priorities to support TSOs and SEs in their digital transition:

1. Promote the visibility of TSOs and SEs
2. Ensure access to skills, knowledge and competences of TSOs and SEs
3. Improve access to finance and investment for TSO and SEs

In the following paragraphs we highlight concrete national and European policy recommendations to advance the digitalisation of TSOs and SEs in Europe.

## 1. Promote the visibility of TSOs and SEs

TSOs and SEs are driving an inclusive and just economy across the world, offering highly effective and profound solutions to our world's most pressing challenges - often operating at local and regional level. However, the ideas they embody, how they organise and work and the particular business model(s) they follow, as well as the potential they represent – for example, for the United Nations Sustainable Development Goals (UN SDGs) – are still poorly understood or unknown by the wider public, investors, governments and academia. 77% of ESEM SEs are aware of the SDGs with the top three SDGs focussed upon across the ESEM 21 countries being: SDG 8 - Decent Work and Economic Growth, 50%; SDG 3 - Good Health and Well-being, 49%; and SDG 10 - Reduced Inequalities, 46% (multiple selections possible per ESEM SE).<sup>3</sup> This continues to result in a lack of targeted support, poorly adjusted or inappropriate policies and investment mechanisms. There is also the unintentional exclusion of TSOs and SEs from the support mechanisms which do exist for organisations and enterprises that seek support on digitalisation due to definitions of whom it is that can access support and the lack of awareness of these alternative business models. To ensure that TSOs and SEs can play their vital role in creating a greener and more just planet, it is important to promote the visibility and impact of the third sector and the business models being used to deliver this impact.

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<sup>3</sup> Dupain, W., Scharpe, K., Gazeley, T., Bennett, T., Mair, J., Raith, M., Bosma, N. (2022), "The State of Social Enterprise in Europe – European Social Enterprise Monitor 2021-2022". Euclid Network.

## Recommendations to the EC

- Increase the visibility of TSOs and SEs among policymakers, for example, through international peer review mechanisms that increase collaboration among policymakers from different areas, such as education or economy, to create joint action and synergies for future policy initiatives or by encouraging the intentional use of language that includes TSOs and SEs.
- Incentivise and support EU Member States' public authorities to collaborate with TSOs and SEs to increase their visibility and access to relevant markets, for example, through adjusting public procurement policies and reporting to consider social impact in addition to environmental and financial criteria (potentially aligned with the Corporate Sustainability Reporting Directive).
- Work with stakeholders across ecosystems to establish common understandings, definitions and criteria as well as open access software to ensure every TSO and SE can access free or discounted digital solutions.

### **Increasing visibility among policymakers**

The OECD peer review mechanism enables policymakers that are active in different areas to provide feedback, for example on reports and policies and therefore increases cooperation, mutual learning and joint action between peers working in different countries and research areas.<sup>4</sup>

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<sup>4</sup> OECD (2022), Lessons from peer reviews, <https://www.oecd.org/dac/peer-reviews/lessons-peer-reviews.htm#:~:text=Through%20peer%20reviews%2C%20each%20member%27s,and%20practices%20of%20the%20member>

## **Raising visibility through events**

The French Presidency of the EU Council organised, in close collaboration with leading social economy organisations, a conference in May 2022 to raise the visibility of the social economy and support the connection of ecosystem stakeholders with each other. The event included policymakers, investors and the wider social economy community, giving them an opportunity to learn from and discuss with one another the challenges, needs and opportunities of the sector.<sup>5</sup>

EU Member States are also increasingly bringing attention to the third sector. For example, Denmark celebrates every year a Social Enterprise Day as part of the Global Entrepreneur Week.<sup>6</sup> Cities, such as the municipality of The Hague annually organise 'Impact Fest', Europe's biggest impact festival.<sup>7</sup>

Conferences and events at EU and Member State level contribute to raising the visibility of the social economy and third sector, inform policymakers and investors about the needs and impact of TSOs and SEs and enable the wider TSO and SE community to connect. Such events play a vital role in not only facilitating the internal connection and development of the sector but also in raising the visibility of the third sector and social economy to the general public.

## **2. Encourage access to skills, knowledge and competences development of TSOs and SEs**

The European Innovation Scoreboard 2021 found that digital skills are vital for the innovation capacity of organisations and identifies digital literacy as one of the top skills to drive innovation in today's society.<sup>8</sup> Already before the Covid-19 pandemic however, a third of TSOs in the UK reported that their staff lack the necessary digital skills. This is understood as a 'serious strategic weakness for the sector'.<sup>9</sup> While the Covid-19 pandemic can be understood to have catalysed and accelerated the Digital Transition by several years (for all areas of society and the economy), interviews conducted between April - July 2021 with TSOs and SEs across Europe indicate that many adopted digital tools in an ad-hoc and non-structured manner. These interviews additionally found that TSOs and SEs are lacking the necessary knowledge, skills and attitudes to meaningfully digitalise their organisational processes. This was

<sup>5</sup> Présidence Française du Conseil de l'Union européenne (2022), Social Economy, the Future of Europe Conference, <https://live.eventtia.com/en/economiesocialefutureen>

<sup>6</sup> Sociale Entreprenører Danmark (2022), Social Entrepreneurs in Denmark, <https://socialeentreprenorer.dk/english/>

<sup>7</sup> ImpactCity (2022), ImpactFest, <https://www.impactfest.nl>

<sup>8</sup> The European Innovation Scoreboard (2021), No innovation without digital skills, <https://digital-skills-jobs.europa.eu/en/latest/news/european-innovation-scoreboard-2021-no-innovation-without-digital-skills>

<sup>9</sup> Preston, R (2019), Charities say over a third of their staff lack digital skills, <https://www.civilsociety.co.uk/news/charities-say-over-a-third-of-their-staff-lack-digital-skills.html>



especially the case for small TSOs and SEs. Here it is important to raise awareness and build capacity among organisations and CEOs about the potential digitalisation holds when implementing it in a structured and meaningful way, so that they can adapt to an ever changing digital landscape and increase resilience.

## Knowledge

We observed that especially smaller TSOs and SEs with less resources face difficulties in accessing knowledge resources, specialised training and coaching regarding digital leadership. They also lack access to internal cross-team capacity building and have a lower level of digital literacy. Furthermore they lack knowledge regarding the appropriate procurement and uptake of suitable software and hardware that would benefit their organisation's digital infrastructure long-term.

## Skills

The specific digital skill gaps highlighted by TSOs and SEs concern specifically cybersecurity, data protection, finance, human resources, project management, team collaboration, e-commerce, impact measurement and marketing, with an overall need for software interoperability. We also observed that investing into the digital inclusion of end-beneficiaries of TSOs and SEs is equally important to ensure that everyone is included in their programmes and responses when moving digital as well as to ensure that no one is left behind in the Digital Transition and avoid mission drift.

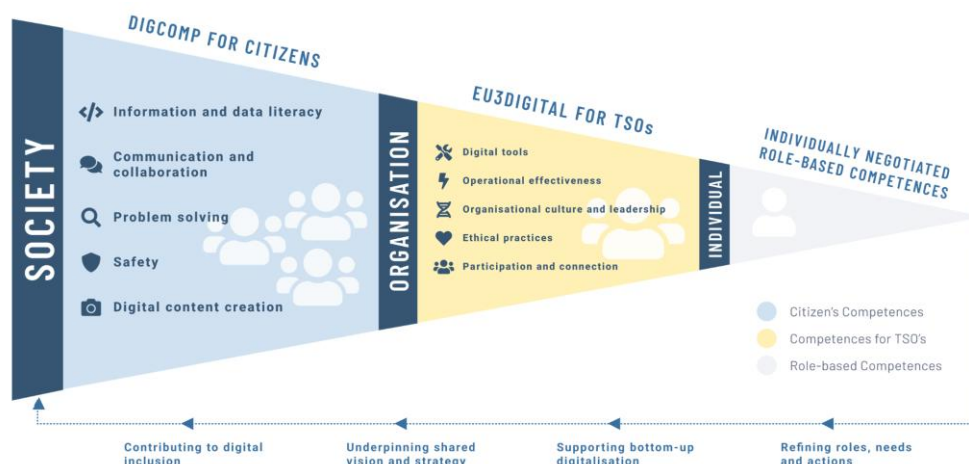
## Competences

Having [DigComp 2.2](#) as a common compass on digital competences, skills, knowledge and attitudes for citizens<sup>10</sup> has proved to be a valuable resource. We therefore believe that an equivalent framework, adapted to the specific context and social mission of TSOs and SEs, is needed to guide and support the Digital Transition of the third sector. This is not only to support in the current context of digitalisation but to build the capacity that will enable TSOs and SEs to adapt to the fast changing digital environment as it continues to evolve. Thus, the [EU3Digital Framework of Digital Competences for TSOs and SEs](#) builds on DigComp for citizens and identifies the skills, knowledge and attitudes that organisations need to have distributed amongst the stakeholders of TSOs and SEs. The skills, knowledge and attitudes are distributed across five categories: digital tools; operational effectiveness; organisational

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<sup>10</sup> Vuorikari, R., Kluzer, S. and Punie, Y. (2022), DigComp 2.2: The Digital Competence Framework for Citizens - With new examples of knowledge, skills and attitudes, EUR 31006 EN, Publications Office of the European Union, Luxembourg, ISBN 978-92-76-48883-5, doi:10.2760/490274, JRC128415.

culture and leadership; ethical practices and participation; and connection. These five categories are broken down into twenty-two competences that can be used as indicators.<sup>11</sup>



## Recommendations to the EC

- Strengthen and support European Digital Innovation Hubs (EDIHs) and national social enterprise support organisations (SESOs)/second tier organisations in the dissemination and provision of resources, training, technology and tools as well as best practices that support small TSOs and SEs at local, regional and national levels in their digitalisation.
- Encourage TSOs and SEs in applying the GDPR through tailored materials and support.
- Support the development of targeted training and policies aiming at digital inclusion, to support SEs and TSOs not only in their digital transition, but also to ensure the digital inclusion of their end-beneficiaries.
- Ensure and encourage that training, digital policies, frameworks and directives include accessibility and inclusion standards to create an inclusive Digital Transition.
- Incentivise the integration of skills on data management and digital leadership in combination with social entrepreneurship in higher education and vocational education and training (VET) curricula.
- Promote the uptake of the Framework of Digital Competences for TSOs and SEs in higher education, vocational education and training (VET) centres and training and learning facilities. For example this could occur through Erasmus+ calls focusing on digital skills and competences.

<sup>11</sup> EU3Digital (2022), <http://www.eu3digital.com>

### **Setting up Digital Innovation Hubs in every EU Member State**

In the effort to establish EDIHs that have a regional and European function, the EC is supporting the setup of EDIHs in every EU Member State. Supported by the EU funding programme Digital Europe, the EDIHs will serve as a central point of support to organisations that face challenges around their digital transformation. For example, this could be by providing them with advice on finance, training and skills development. To support policymakers at regional and national levels in the set-up of Digital Innovation Hubs, the EC has developed a handbook.<sup>12</sup>

### **Social Enterprises combatting digital exclusion of citizens**

Diversity and Ability (D&A) is a social enterprise that is led by and for persons with disabilities, paving the way for a more inclusive future. While D&A has a broad range of services and projects, they found that there is a strong correlation between homelessness and undiagnosed learning disabilities. Compounded with limited access to technology, this often leads to a cyclical state of marginalisation that is hard to break out of. For this reason D&A delivers a series of workshops to boost their digital literacy and life skills. This type of service aims to empower people, increase employment opportunities and digital skills and shows the vital role of SEs in combating digital exclusion of citizens.<sup>13</sup>

### **Cheaper Tech for nonprofits**

TechSoup equips TSOs and SEs with technology solutions and skills they need to improve lives locally and globally. They provide nonprofits with discounted hardware and software, as well as capacity building programmes. Through these activities, TechSoup drives innovation and digital inclusion across the world and makes sure TSOs and SEs can access the tech they need despite their limited resources.<sup>14</sup> Platforms like TechSoup are very important in sharing Open Source resources, therefore increasing the visibility of platforms is of importance.

### **Inclusion at heart**

In 2019 the EU adopted a new directive on accessibility requirements concerning products

<sup>12</sup> European Commission (2022), European Digital Innovation Hubs, <https://digital-strategy.ec.europa.eu/en/activities/edih>

<sup>13</sup> Diversity & Ability (2022), Digital inclusion and homelessness, <https://diversityandability.com/social-justice/digital-inclusion-and-homelessness/>

<sup>14</sup> TechSoup (2022), Explore our nonprofit tech marketplace, <https://www.techsoup.org>

and services. With that the EU aims to establish common rules on accessibility that will also apply to public tenders.<sup>15</sup> This example shows the importance of incorporating inclusion standards in directives and policies to increase and incentivise stakeholders to become more inclusive.

### 3. Improve access to finance and investment for TSOs and SEs

Investing into digital infrastructure, staff/volunteer training and digital service delivery is of great importance to TSOs and SEs, supporting and enabling them to go digital long-term. It is only with the right hardware and software as well as the means to train and fund those activities that TSOs and SEs can meaningfully digitalise their organisation and products/services. Access to funding and investment however remains one of the biggest barriers to TSOs and SEs.<sup>16</sup> This is especially felt as a constraint regarding funding that they can invest into their digital infrastructure and training as most funding is project based.

#### Recommendations to the EC

- Provide unrestricted, more flexible rather than prescriptive grants (rather than only project based funding) that supports organisational processes around digitalisation, such as the digital skills development of staff and volunteers or the investment into organisational infrastructure (hardware and software).
- Simplify funding application procedures to ease access to funding and ensure funding opportunities with smaller ticket sizes for smaller TSOs and SEs to EU funds.
- Encourage EU Member States to fund social innovation in TSOs and SEs through the ESF+, Erasmus+, the European Regional Development Fund and Digital Europe.
- Support EU Member States to develop community-led and community-designed funding programmes at national, regional and local level to support place based innovation and to ensure funding investments according to community needs.
- Encourage the participation of mainstream finance providers and social investors in financing for TSOs and SEs by providing incentives and alleviating regulatory barriers to investment.

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<sup>15</sup> European Commission (2022), Social procurement, [https://ec.europa.eu/info/policies/public-procurement/tools-public-buyers/social-procurement\\_en](https://ec.europa.eu/info/policies/public-procurement/tools-public-buyers/social-procurement_en)

<sup>16</sup> Euclid Network (2021), European Social Enterprise Monitor 2020-2021, <https://knowledgecentre.euclidnetwork.eu/2021/05/25/european-social-enterprise-monitor-report-2020-2021/>

- Encourage Member-States to set-up guarantee loans, such as the EaSI guarantee at EU level, for SEs and TSOs and to enact the law on Social Investment Tax Relief.
- Boost digitalisation in the third sector through including digital objectives to public contracts/public procurement. This would help TSOs and SEs twofold by providing them business opportunities as well as increasing the skills and competences of their employees (and consequently the wider society and their beneficiaries).
- Encourage exclusively digital reporting, to avoid hybrid reporting in organisations and support organisations in acquiring the skills to deliver required reporting online.
- Commit to longer-term support to digitalise, rather than short-term projects, as well as invest into the development of the skills and competences that future-proof organisations so they can continue to adapt and transform as new technologies develop.

### **EU funds to boost finance of regional and local TSOs and SEs**

Portugal Social Innovation is an interesting example regarding the use of EU funding to boost local and regional finance for TSO and SEs. This was achieved through funds mainly coming from the ESF as well as national and municipal funds. This funding was then operationalised to provide smaller scale funds and bonds to local SEs and TSOs that among others supported digital inclusion projects.<sup>17</sup>

### **Social impact bonds**

The province of Noord-Brabant is the first Dutch Provincial Government body with an outcomes fund (impact bonds). This is a great example of how public bodies can support the third sector in Europe whilst working with private stakeholders in investment and finance to achieve positive impact. The Brabant Outcomes Fund's methods are based on the social impact bonds (SIBs) funding model: public-private, results-based financing. An SIB is a contract whereby private investors fund an approach devised by social entrepreneurs such as, for instance, supervising status holders in their search for work, which helps increase the societal impact. Once the results have been achieved, the government pays the investors back and pays out their returns.<sup>18</sup>

<sup>17</sup> Krlev, G., Sauer, S., Scharpe, K., Mildenerberger, G., Elsemann, K. & Sauerhammer, M. (2021), Financing Social Innovation – International Evidence. Centre for Social Investment (CSI), University of Heidelberg & Social Entrepreneurship Network Deutschland e.V. (SEND), [https://www.send-ev.de/wp-content/uploads/2022/01/Financing\\_Social\\_Innovation.pdf](https://www.send-ev.de/wp-content/uploads/2022/01/Financing_Social_Innovation.pdf)

<sup>18</sup> Brabant Outcomes Fund (2022), <https://www.brabant.nl/subsites/brabant-outcomes-fund>

### **Supporting early-stage social innovators to access funding**

The Finance your Social Innovation Toolkit aims to provide early-stage social innovators with tools, resources and advice on how to finance socially innovative solutions, projects and organisations.<sup>19</sup> Toolkits like these support smaller and early stage SEs and TSOs in accessing the funding they need to launch, grow and become more sustainable.

### **Action at EU Member State level**

The Dutch government supports innovative small and medium-sized enterprises (SMEs). They do so by providing tax benefits, innovation loans and guarantee schemes for SMEs that do not have enough collateral.<sup>20</sup> This serves as a clear example of how EU Member States can take action to support SMEs and boost positive impact.

## **Conclusion**

The research conducted under EU3Digital has made it clear that digital skills, knowledge and competences are vital for the innovation capacity, resilience and agility of TSOs and SEs in Europe. This is not only a vital understanding for the current context of digitalisation in late 2022 but also for the future, illuminating the need to build the capacity of TSOs and SEs so that they are enabled to adapt to the fast changing digital environment as it continues to evolve. While many TSOs and SEs are currently at risk of being left behind in research into the impact, process and outcomes of the ongoing Digital Transition, promising practices uncovered through this research conducted within the EU3Digital project show that there are many support measures that the EC can take to support the digitalisation of TSOs and SEs. The EC also has a role to play in spurring and coordinating action at Member State level. Those measures can vary from increasing the visibility of TSOs and SEs, to enhancing their access to knowledge, skills and competences and ensuring that the third sector has access to finance and investment opportunities. Addressing these barriers to TSOs and SEs cannot be overcome in isolation with a single focus on the Digital Transition but requires a holistic

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<sup>19</sup> European Innovation Council and SMEs Executive Agency (2021), Finance your social innovation – New funding toolkit released, [https://eismea.ec.europa.eu/news/finance-your-social-innovation-new-funding-toolkit-released-2021-08-26\\_en](https://eismea.ec.europa.eu/news/finance-your-social-innovation-new-funding-toolkit-released-2021-08-26_en)

<sup>20</sup> Government of the Netherlands (2022), Support for small and medium-sized enterprises (SMEs), <https://www.government.nl/topics/enterprise-and-innovation/support-for-small-and-medium-sized-enterprises-smes>

approach across policy areas and initiatives to tackle persistent challenges hampering the (continual) development of the ecosystem.

## Signatories

