

EXPLORING SOCIAL IMPACT INVESTING IN FRANCE

Social impact investing can be found across Europe in a variety of forms, such as Groenfonds in the Netherlands, social impact bonds in Great Britain, and ethical banks in Germany and Italy. In France, investments and financing that are based on a double bottom-line of return – a clearly measured social and/or environmental impact in addition to a modest financial return – fall under the term *finance solidaire*.

In France, solidarity-based finance was founded thirty years ago, in 1983, when the first solidarity-based mutual fund, *Faim et Développement* (Hunger and Development) was launched by a cooperative bank on behalf of a Christian NGO, in order to provide access to credit for small businesses in developing countries that were excluded from traditional banking systems. During the same year, and inspired by the booming stock market and the success of traditional investment clubs, groups of private investors seeking alternative ways of managing local community savings accounts convened to form the CIGALES clubs.

These stories help explain the unique applications of solidarity-based finance in France, based on a long-standing tradition of individuals coming together to support and promote socially and environmentally-oriented projects and activities. Indeed, certain vehicles, such as solidarity savings accounts, existed in France long before the term solidarity-based finance became mainstream. By 2019, more than 1 million individuals were actively involved in solidarity-based finance (vs 40 000 or 50 000 a decade before), a figure that continues to increase annually.

Developed for nearly 20 years without a special regulatory framework, solidarity-based finance has been legally regulated in France since 2001. In 1997, several years before this regulation was established, the first sustainable finance label in France was introduced to enable the identification of solidarity-based financing vehicles available through intermediaries, such as those offered by banks, investment funds, insurance companies, mutual funds and employee savings accounts.

Today, solidarity-based finance encompasses all financial opportunities that allow individuals to invest directly or indirectly in a project or social enterprise with a strong social and/or environmental objective.



MORE THAN 1 MILLION SOLIDARITY -BASED SAVERS

Solidarity-based finance is a concept that satisfies the solidarity desires of the individual savers and the financing needs of the solidarity-based enterprises, non-profits, and other beneficiary organizations. Ethical banks, solidarity-based investment funds and others act as intermediaries between these stakeholders, by proposing traditional investment vehicles – savings and life insurance accounts, investment funds, etc. – to which solidarity mechanisms have been incorporated.

SOLIDARITY-BASED SAVERS



SOLIDARITY-BASED FINANCE



SOLIDARITY PROJECTS



SOLIDARITY-BASED FINANCE RECIPIENTS

Solidarity-based enterprises and others wishing to receive financing from solidarity-based finance vehicles must first receive an administrative seal of approval (renewable every five years). The company or fund can have any legal form, but must respect the following criteria:

Unlisted company

Sustainable business model

Primarily engaged in socially-oriented activities

- addressing the needs of populations or communities at risk : unemployment, those living in unstable housing conditions...
- developing sustainable activities that contribute to addressing environmental concerns: renewable energy, organic farming...

Limited profitability: Profit can and should be expected, but mainly as a way of further expanding the company's growth, rather than as an objective in and of itself

- at least 50% of the profit should be re-invested in the company, remaining profit can be distributed to investors
- reasonable salary compensation, including at the executive level

In 2019, solidarity-based finance in France has led to:



More than **1 655** businesses



Housing for **1 360** people



Renewable energy output equivalent to the annual consumption of **25 155** families



Support almost **70** social and inclusive businesses in developing countries (microcredit, rural cooperatives...)



2 SOLIDARITY - BASED ENTERPRISES

VITAMINE T

VITAMINE T Group is a holding company whose subsidiaries promote inclusive policies and work reintegration activities for men and women who have been removed from the labor market for a long period of time (long-term unemployed, recently out of prison, youth with little to no work experiences, etc).

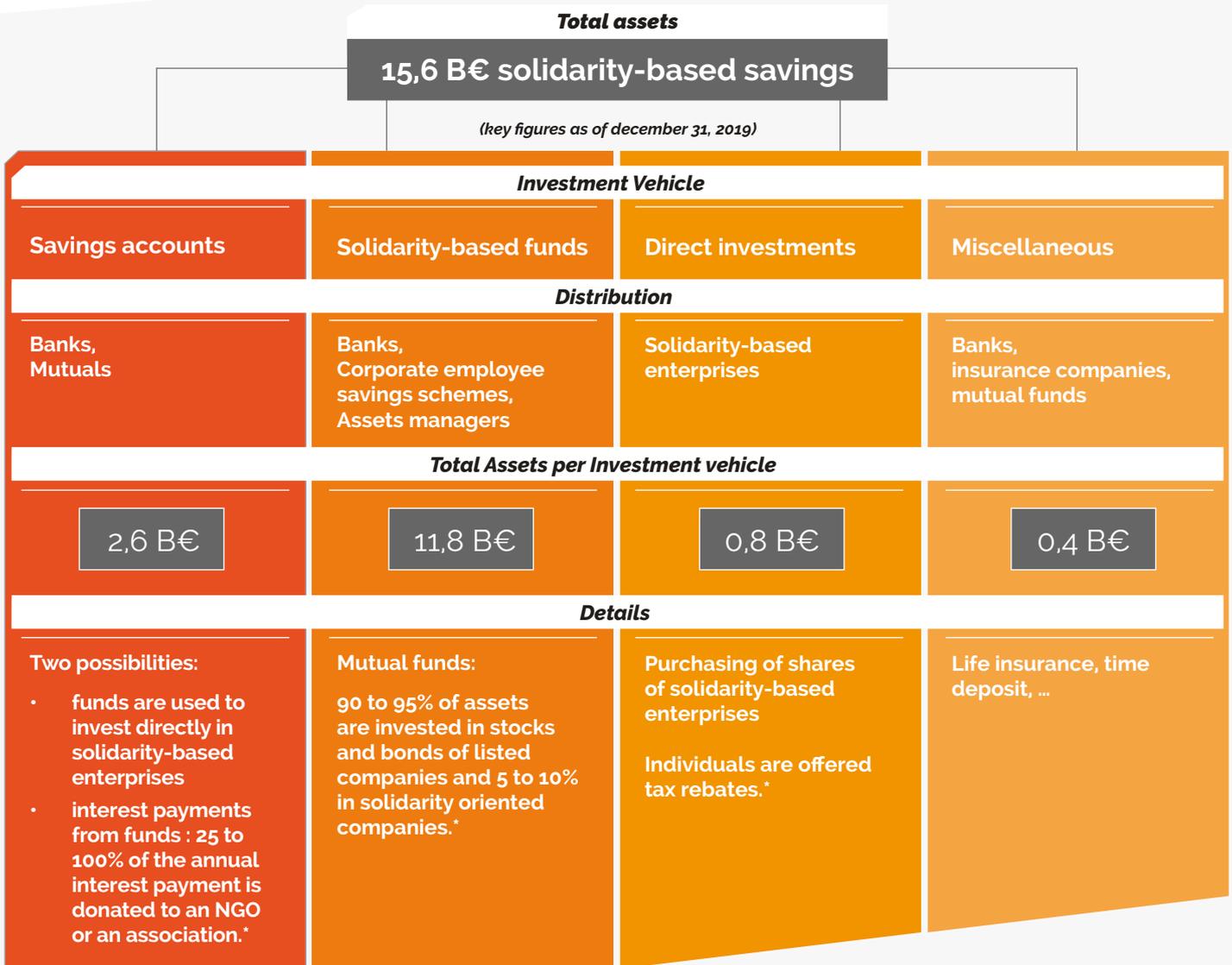
With 12 businesses and 2 800 employees (1 800 of whom are involved in work reintegration activities) and an annual turnover of 50 M€, VITAMINE T is the leader in its field in France. Industries in which the Group operates include: organic farming, creation and maintenance of public spaces, environmentally friendly transportation, and recycling of household electronic waste.

Entreprendre pour Humaniser la Dépendance (EHD)

EHD is a network of shelters that provide a safe haven and care for those in need, by renovating buildings intended to house older persons with very low income levels who are no longer self-sufficient (often with physical, mental or social handicaps). This solidarity-based enterprise subsidizes rental prices, provides temporary housing options for those in transitional contexts, and arranges permanent housing options in institutions with strong healthcare facilities for those in need of constant attention.



HOW SOLIDARITY-BASED FINANCE WORKS



* French and European legislations

THE finansol LABEL



In 1997, the Finansol label was introduced in order to identify the various solidarity-based financing vehicles available in France through intermediaries, such as those offered by banks, investment funds, insurance companies, mutual funds and employee savings accounts, to name a few. The label is granted by an independent committee of 13 members, co-opted for their expertise in finance and their knowledge about solidarity-based finance.

Largely based on transparency and solidarity criteria, as well as various management aspects, the label provides security for solidarity-oriented investors that the assets they place through intermediaries will indeed serve to finance projects with strong social and/or environmental impact.

The number of labeled vehicles continues to increase annually, indicating a positive trend in solidarity-based financing in France. In 2019, the Finansol label was awarded to more than 160 recipients.

SOLIDARITY-BASED FINANCE VS SRI

Solidarity-based finance and SRI (socially responsible investing) are all too often confused and incorrectly used interchangeably, despite being very distinct concepts. SRI is a method of selecting listed or unlisted companies in which to invest, based on a combination of their financial performance and the manner in which they address social and environmental performances. Solidarity-based finance is a more active means of identifying investment opportunities in small or medium-sized unlisted companies that were established with the specific mission of addressing a persistent social and/or environmental challenge.

finansol

Launched in 1995, Finansol is an association that brings together financial institutions engaged in the promotion and/or management of solidarity financing vehicles and tools (banks, insurance companies and asset managers) and a variety of solidarity-based enterprises, associations, cooperatives, investment clubs and others whose missions and activities are directly linked to addressing a social and/or environmental challenge.

Banks, insurance companies and financial institutions

- AG2R La Mondiale
- Amundi
- BDF Gestion
- BNP Paribas
- BPCE
- Carac
- Conférence Permanente des Caisses de Crédit Municipal
- Crédit Coopératif / Ecofi Investissements
- Crédit Municipal de Nantes
- Crédit Municipal de Nîmes
- Crédit Municipal de Paris
- Crédit Mutuel - CM CIC AM
- Humanis Gestion d'Actifs
- Inpulse
- La Banque Postale
- La Financière Responsable
- MACIF
- MAIF
- Mandarine Gestion
- Meeschaert
- Natixis Interépargne
- OFI AM
- Ostrum AM / Mirova
- Sigma Gestion
- Société Générale
- Symbiotics France SA

Solidarity-based enterprises, associations and investment funds

- Accession solidaire
- ACTED
- Action contre la Faim
- Adefip
- Adie
- ALIMA
- Autonomie & Solidarité
- Babyloan
- Béguinage solidaire
- Biocoop
- Bretagne Capital Solidaire
- Caisse Solidaire
- Caritas Habitat
- CCFD - Terre Solidaire
- Chênelet
- Cocagne Investissement
- Cofides Nord-Sud
- Coopérative OASIS
- EHD
- Enercoop
- Energie Partagée Investissement
- Entrepreneurs du Monde
- Epargne Solidarité Développement
- ESIS
- Fadev
- Familles Solidaires
- Fédération des CIGALES
- Femu Qui
- Fondation Leopold Bellan
- Fondation pour le Logement Social
- Forest Finance
- France Active
- Garrigue
- Habitat et Humanisme
- Habitats & Partage
- Habitats Solidaires
- Herrikoa
- IDES
- IéS
- INCO
- Initiative France
- Juralliance
- La Nef
- Les 3 Colonnes
- LITA.co
- Lurzaindia
- Oikocredit
- PhiTrust Partenaires
- Planetic
- Racines / Clef
- SIDI
- SNL Prologues
- SOLIFAP
- Terrafine
- Terre de Liens
- Turbo Cereal
- Urban Solidarité Investissement
- UrbanCoop
- Villages Vivants

Continued growth of the solidarity-based finance sector

French solidarity-based finance stakeholders have set an ambitious goal for the coming decade: ensuring that at least 1% of all financial assets of French citizens (equivalent to 5 400 Billion euros in 2019*) be invested in solidarity-based finance vehicles. Finansol advocates on behalf of its members for the maintenance of specific tax benefits and the promotion of savings vehicles easily accessible for all, in order to achieve this goal and foster the continued growth of the solidarity-based financial sector.

*Source : Banque de France

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