Developing solidarity-based finance
A source of funding for social and environmental businesses
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Solidarity-based savers

Put their savings in solidarity-based investment vehicles

Ultimately financing social businesses

Mechanisms and key figures in France

- More than 1 million solidarity-based savers in France
- The outstanding of solidarity-based savings amounts to 12.6 billion euros (2018/12/31)
- In 2018, this outstanding allowed the generation of 372 million euros funding for the social and economy and entrepreneurship
- There is a large variety of solidarity-based investment vehicles (saving accounts, life insurances, financial securities...)

Which businesses benefit from solidarity-based savings?

- Social and inclusive businesses are promoting projects with a strong social and/or environmental purpose (promotion of social inclusion and social housing, energy transition...)
- In France, a specific agreement delivered by the public authority facilitate businesses’ access to solidarity-based funding vehicles.
Solidarity-based funds

Solidarity-based funds, or "90/10" funds, are **Undertakings for collective investment in Transferable Securities (UCITS)**. Between 5 and 10% of the assets are invested in social economy businesses.
Solidarity investment funds
General description

**Distribution channels**

Solidarity investment funds are open to individuals since they are **Undertakings for collective investment in Transferable Securities (UCITS)**. Individuals can sign up to those funds through their banks, mutual insurance company or thanks to employees savings plans.

**Fund composition**

- **5 to 10%** of the assets are **invested in social and inclusive businesses**
- **90% to 95%** are non-solidarity-based assets, selected with Socially responsible investment (SRI) strategy

**An easily reproducible tool**

“90/10” funds **comply with the UCITS4 EU directive**, which sets that funds open to individuals must not invest more than 10% of the assets in non-listed companies.

In France, **this legislation has been adapted to support the development of solidarity investment funds**. The 10% share must be invested in social businesses that are certified by the public authority.
Solidarity-based investment funds
Technical characteristics: diversifying investments

In practice, asset management companies created investing tools to ease the management of solidarity-based assets and to diversify the beneficiary businesses of these funds.

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<th>Process</th>
<th>Advantages</th>
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<tr>
<td>A “90/10” fund called “feeder fund” invests its solidarity assets in another fund, the “master fund”.</td>
<td>This “fund of fund” mechanism has several advantages:</td>
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- **Solidarity investment feeder fund (FCPE or FCP)**
  - 5 to 10% of solidarity assets
  - 90 to 95% of non solidarity assets (mainly SRI assets)

  Since those are assets from listed companies, this part of the fund is fluctuating on financial markets.

- **Master fund (FPS or FCPR)**
  - Social investments
  - Other securities (monetary, etc.)
    - These securities aim at ensuring the fund’s liquidity.

  The development of an expertise regarding social businesses investment within asset management companies

- **Advantages**
  - A better risk and liquidity management of solidarity investment funds by the feeder funds, which are subject to markets fluctuations.
  - A diversification of investment lines in social businesses. Without the master fund, asset management companies would only invest in a few “secure” social businesses, thus narrowing the number of beneficiaries.

- The development of an expertise regarding social businesses investment within asset management companies.
Solidarity-based citizen capital

Social businesses can directly open their capital to individuals (shares or cooperative shares). These businesses have generally speaking a strong commitment project (revitalizing a local territory, acting for the energy transition or promoting social inclusion).
Solidarity-based citizen capital

Description

Advantages for savers

This **investment mechanism** puts social and/or environmental goals first and thus reflects numerous citizens’ wishes to **commit in the social and ecological transition**.

Investing in social businesses in France entitles favourable tax arrangements.

**An income tax cut**

- The tax arrangement allows savers to retreat **18% of the amount invested in the business’ capital of their income tax**.

- To benefit from this cut, savers must commit to keep its share for a long period of time (minimum 5 years).

Advantages for businesses

**Essential capital contributions.** Indeed, some activities led by social businesses are capital intensive, especially in real estate and property industry. For instance: social housing.

Capital contributions allow **leverage** on other types of funding.
# Solidarity-based citizen capital

Three examples of citizen capital fundraising methods

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<th>Fundraising method</th>
<th>Purpose of collected savings</th>
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<tr>
<td><strong>Social investor clubs</strong></td>
<td>These organisations allow <strong>minor capital contributions in local Small and medium enterprises</strong> (SMEs); thus supporting social and local financial networks.</td>
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<td>Solidarity-based venture capital companies or investors’ club, which use <strong>local savings to revitalize economically damaged territories</strong> and develop employment.</td>
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<td><strong>Solidarity-based real estate businesses</strong></td>
<td>The collected capital is invested in <strong>building, acquiring or renovating of housing projects</strong>.</td>
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<td>Organisations that fight against poor housing and act for inclusion. They <strong>created their own investment vehicle</strong>, which allows them to collect capital from individuals for their social purpose.</td>
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<td><strong>Renewable energy cooperatives</strong></td>
<td>They enable the development of <strong>renewable energy generation projects</strong>. The cooperatives can be found at a local level.</td>
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<td>Citizen cooperatives of which an individual can become a member, thus holding a <strong>cooperative share</strong> (eg : Enercoop).</td>
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Studies and reports realised by Finansol

The study on solidarity-based funds explores precisely how “90/10” funds have rapidly become the fundamental mechanism for collecting solidarity-based savings.

The study “financial innovation towards solidarity” retraces the genesis and development of emblematic innovations (solidarity-based citizen capital, sharing return savings and the solidarity-based funds) for more than 20 years in France.

The presentation brochure “Exploring social impact investing in France” gives an overview of the solidarity-based finance industry.

Visit Finansol’s website for more information https://www.finansol.org/en
Launched in 1995, Finansol is a member-driven organisation that brings together financial institutions committed in the promotion and/or management of solidarity-based financing vehicles and tools (banks, insurance companies and asset managers) and a variety of social enterprises, associations, cooperatives, investment clubs and others whose purpose and activities are directly linked to address a social and/or environmental challenge.

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