



THE FINANSOL LABEL CELEBRATES
ITS **20TH** ANNIVERSARY

THE FINANCIAL INNOVATION
TOWARDS SOLIDARITY

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Solidarity



Transparency



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Introduction

The first label to emerge in the field of ethical finance and still the only one in the field of finance solidaire (≈solidarity-based finance), the Finansol label celebrated its 20th anniversary in May 2017.

This label was created two years after the creation of the Finansol association, a group of solidarity-based finance players in France. A truly excellent promotional tool, its image is inseparable from the one of the association, which has always positioned itself at the heart of its historic mission: to promote the principle of solidarity in savings and finance.

In 1997, only 'a few small, isolated initiatives existed', according to Jean-Paul Vigier, first chairman of Finansol and of the label's Committee. At the time, it was difficult to make them known to the general public. Some savers even harboured a degree of mistrust towards these investments, linked to the fact that the concept of savings and solidarity, and finance and solidarity seemed to them to be an oxymoron. Designed for and awarded only to solidarity-based investments, the label was created on the one hand to reassure and comfort savers in their choice of solidarity-based investments, and on the other hand to raise the profile of these 'solidarity-labelled' investments, through complementary initiatives implemented by the association (e.g. *baromètre de la finance solidaire*, *an annual overview of solidarity-based initiatives*, *Semaine de la finance solidaire*, *a week promoting solidarity-based finance*, communication to the general public via the media, etc.).

Delivering fully on its mandate, the label's Committee, responsible for awarding the Finansol label, has supported all of the new initiatives that have emerged in the sector by regularly updating its regulations. The decisions taken by this committee have always had a dual objective: to serve the

interests of savers and support the development of solidarity-based finance. The label's Committee has therefore occupied a prominent position in overseeing the emergence, appraisal and support over time of the many innovations seen in solidarity-based finance since its origins. Its capacity for innovation is one of the signs of a successful and growing sector.

This is why, to mark 20 years of its label, Finansol has decided to publish a document that retraces its main financial innovations during that period, seen from the perspective of the labelling organisation. As there have been numerous innovations since the emergence of solidarity-based finance in the late 1970s, it was not possible to include all of them in this document. Finansol has chosen to focus on three major, emblematic innovations in solidarity-based finance, each of which corresponding to one of the three solidarity-based savings modes: through a solidarity-based financial funder or enterprise, through a bank or an insurance company and through one's enterprise.

It is therefore solidarity-based citizen capital, sharing return savings and the solidarity-based funds referred to as '90/10' funds will be covered in this study. Each chapter follows a common structure, and includes:

- a description of the technical characteristics of the innovation by way of introduction ;
- a section on how it began: understanding how the initial idea came about, what were the driving factors, people, organisations or inspirations that enabled the innovation to emerge ;
- an inventory of the developments that followed, and of how the innovation became a success, either in and of itself or by making adjustments, as well as other innovations that may have resulted from it (expansion) ;

- key figures that attest to its success over time ;
- key success factors (the main components that explain the innovation's success) ;
- an insight, from the perspective of the Finansol label Committee, into the different characteristics of the innovation and the questions it raised when it emerged or when it expanded, and the changes to the label's regulations that these brought about ;
- a focus feature exploring a subject related to the innovation in question.

In addition to the chapter on the various innovations, the document includes a detailed presentation of the Finansol label.

It also looks towards the future, with thought-provoking comments from the label's Committee on how it currently sees financial innovation in solidarity-based finance and, consequently, how the label's regulations have evolved.

Finally, the chairman of Finansol takes his own look back over the last 20 years and speaks frankly about the new issues and challenges that await the label.

Finansol has several distinct objectives for this publication:

- to illustrate the vitality and capacity for continuous innovation of all types of solidarity-based finance players ;
- to identify the various drivers and factors that have enabled innovations in solidarity-based finance to emerge and flourish ;
- to raise awareness of the work diligently and shrewdly carried out by the Finansol label Committee over the past 20 years ;
- to conserve an historical record of the initial stages of solidarity-based finance in the first 20 years of the label and to help see how the future will look ;
- to promote and value the specific features of solidarity-based finance, both in France and internationally.

Frédéric Fourier, head of the observatory on solidarity-based finance at Finansol



The Finansol label

The first ethical finance label created in France, the Finansol label is awarded to solidarity-based savings products of all kinds: bank investments (savings book accounts, time deposits), unlisted shares in solidarity enterprises, collective investment undertakings (FCPE (company investment funds), FCP (mutual investment funds), SICAV (unit trusts), etc.), life insurance policies, bonds, etc. As of 2015, banking options (see page 49) and solidarity-based current accounts have also been eligible for this label.

1. Creation of the Finansol label

In the 1980^s, several solidarity-based enterprises and financial funders emerged, and soon the first solidarity-based banking and financial investments were born. These initiatives were rare, small and isolated. This is why the Finansol association was founded in 1995, to *'give more of a collective impulse to its activities, promote itself to savers and to engage in dialogue with public authorities. Each of them was too small to promote themselves on their own'*, recalls Jean-Paul Vigier, the first chairman of Finansol and then first chairperson of the label Committee.

'Finansol's ambition was to achieve solidarity-based savings assets of 10 billion francs (i.e. around €1.5 billion excluding inflation) in 10 years. Savers then needed to be given confidence', continues Jean-Paul Vigier. Very soon after Finansol was created, the idea of the label as a tool to help achieve this objective emerged, to reassure individual savers about solidarity-based investments. Ten years after the label's creation, total solidarity savings assets amounted to €1.63 billion as at 31/12/2007 (source: Finansol); the target set by the association had therefore been achieved.

During the first wave of labels awarded, in 1997, the Finansol label Committee did not exist. *'Initially, by definition, the label could only be given to ourselves by ourselves. It was therefore a recognition of ourselves by ourselves'*, says Jean-Paul Vigier. The first seven products to receive the label were, in fact, those managed by Finansol members.

These were the *Insertion Emplois Dynamique* (dynamic labour market integration) FCP, then managed by Caisse des Dépôts et Consignations (CDC) and Caisses d'Épargne, and the Nef savings

book account managed by la Nef and sold by Crédit Coopératif, the *Faim et Développement Trésorerie* (hunger and development treasury) and *Épargne Solidaire* (solidarity-based savings) FCPs of Crédit Coopératif, the *CM-CIC France Emploi* FCP of Crédit Mutuel Group and the *Solidarité - CCFD-Terre Solidaire* (solidarity with the earth) and *Solidarité - Habitat et Humanisme* (habitat and humanism solidarity) funds offered by Le Crédit Lyonnais network.



The first label award ceremony was organised at the Senate, in the presence of the heads of the various Finansol member institutions, including the heads of CDC and Crédit Coopératif. Unfortunately, the event did not garner the anticipated visibility in the media due to political circumstances: *'it was bad timing, the award of the Finansol label took place in the midst of the dissolution of the National Assembly in 1997. The report on the ceremony was drowned out in the press in the midst of the election results'*, recalls Jean-Paul Vigier.

Self-labelling by members of the association was only applied to the first seven investments applying for the label. The association wanted to welcome new members, and therefore new institutions, which required a new way of awarding the label in order to be credible.

Then emerged the idea to create a label Committee independent of the association. Finansol therefore appointed a committee of experts to decide whether or not to award the label. *'The label Committee was created when I left Finansol. The association offered me the role of chair of the committee and I accepted'*, explains Jean-Paul Vigier. *'We set up a quality label Committee with people who had*

no direct links with Finansol, and who came from different backgrounds: a journalist from *Les Echos*, a representative from *Fondation de France*, another from *Solidarités Nouvelles face au Chômage* and a trade unionist and former bankers.' The foundations of the Finansol label Committee were laid, and its main characteristics remain unchanged today, 20 years on.

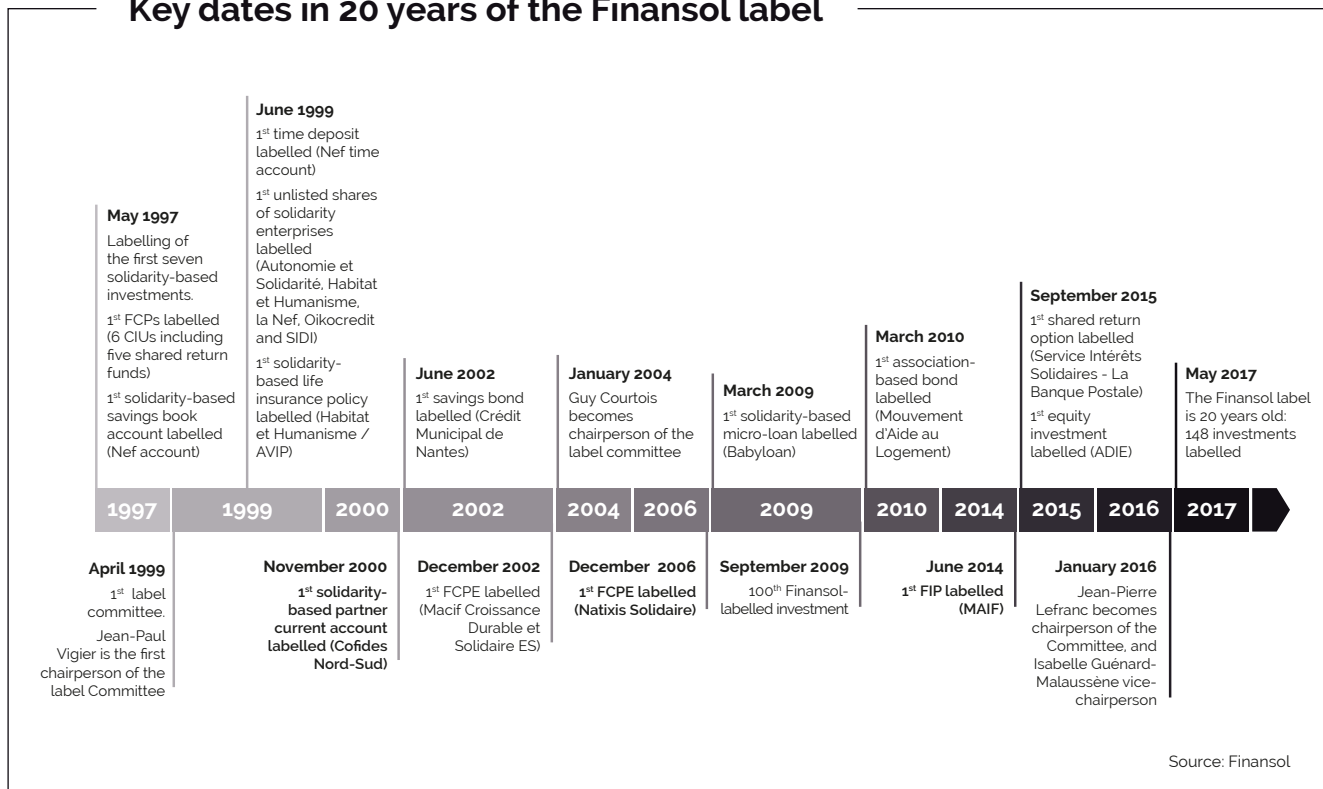
The committee then formalised the criteria for awarding the Finansol label, starting with two central components of the label: solidarity and transparency. These are still key aspects of the regulation today, with the later addition of a commercial action criterion (see page 15). Jean-Paul Vigier says that for the label's credibility *'it was just as important to accept new investments as it was to reject them on the basis of set criteria.'*

The implementation of the label's new governance explains why it then took two years for new investments to be labelled, in June 1999, i.e. a few months after the official creation of the Finansol label Committee.

Several technical and political issues quickly emerged, and the committee provided answers to these. *'Although there was never strong criticism of the label, we still had to establish our position on issues that were sensitive at the time, such as shared return investments, for which financial institutions waived part of their management fees, or the labelling of solidarity-based employee savings schemes',* explains Jean-Paul.

The association's governing bodies, in agreement with the label's Committee, agreed to their arrival and for applications for the label to be awarded to their products. The founding members of the association wanted to bring together within Finansol all those who would contribute to the development of solidarity-based finance, while ensuring that its goals and its label were not distorted. And this mindset remains the same, 20 years later.

Key dates in 20 years of the Finansol label



2. The labelling process and criteria

The labelling process

The diagram below explains the application process for labelling, from the first contact to review of the file by the Finansol label Committee.



Only Finansol members can apply for labelling. The association examines the characteristics of the organisation and its motivations for joining the group of solidarity-based finance players, while the label Committee focuses on the savings product applying to be labelled. This process was formalised in 2009 in order to strengthen the involvement of solidarity-based finance players in all of the duties carried out by the association, and not just the labelling of their own investments.

The Finansol label Committee

The Finansol label Committee is a committee of experts independent to the association, whose main duties are:

- whether or not to award the Finansol label to solidarity-based savings products ;
- to annually check all of the investments already labelled, with the option of not renewing the label if the investments no longer meet the award criteria ;
- to develop the label's regulations in consultation with Finansol.

The committee comprises individuals from very different sectors: associations, finance, trade unions, academia, the media as well as people in charge of responsible finance labels. All members of the committee are appointed on an *intuitu personae*

basis by the committee itself, and participate on a voluntary basis. The committee's rules of procedure specify these rules of nomination, and those for managing any conflict of interest. Committee members cannot be members of the association and may not receive any instructions from the association.

Finansol label criteria

The Finansol label Committee draws up the regulations for the label and proposes any changes that it deems desirable to be made at the appropriate time. These changes are then submitted to Finansol's board of directors, which has three choices: to reject them, to accept them or to request a new proposal.

The label's regulations are based on three main criteria:

1. The product's solidarity nature

- *Solidarity-based investment*: all or part of the savings collected finance an activity and/or a solidarity project, with different degrees of solidarity depending on the nature of the investments.
- *Shared return*: all or part of the savings income

finances an activity and/or a solidarity project, with a minimum percentage of 25%.

2. A transparency and information criterion

- The investor is given information on the financial and solidarity characteristics of the investment at the time of subscribing.
- Regular information is provided to investors on solidarity initiatives, and the financial aspects of the investment.
- Nomination within the applicant's organisation of a 'solidarity-based savings' contact person.

3. Commercial action criterion

The institution undertakes to actively promote its solidarity-based investments as soon as it obtains the label, specifying commercial targets for expanding the savings product or the promotional initiatives undertaken or planned. This is to ensure that the circulation of labelled products does not remain hidden.

Other technical criteria specific to each savings product category, and relating to management of the label, supplement the regulations. Some of these criteria will be discussed and detailed in the section dedicated to the various innovations.

Why label an investment?

- **To offer a guarantee of confidence to savers and investors from an external third-party**: the label assures them, for example, that the savings collected on these investments genuinely contribute to financing activities of high social and/or environmental utility, and how their money is used.
- **To distinguish a solidarity-based investment from other savings products**: the label offers visibility among the range of the savings products, via its logo. It enables savers who expect guarantees of confidence, ethics and transparency to identify the investment as solidarity-based.
- **To benefit from the association's collective support**: Finansol ensures, each year, that solidarity-based finance is promoted, in order to raise awareness across its target audiences about these savings, through the labelled products themselves. Several initiatives are carried out, such as the publication of the *baromètre de la finance solidaire*, the *Semaine de la finance solidaire* or the provision of communication tools disseminated through the media and social networks.

3. Key figures about the Finansol label

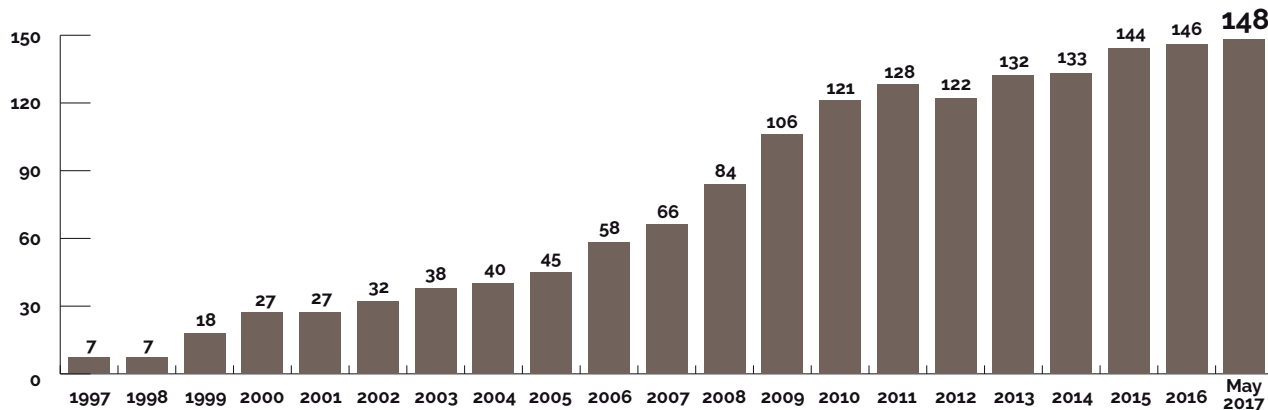
In 20 years...

- 46 people have participated in the Finansol label Committee ;
- the label's Committee has held 79 working sessions ;
- 189 solidarity-based investments have received the Finansol label ;
- 41 solidarity-based investments have been de-labelled.

In May 2017, 148 solidarity-based investments held the label and can be differentiated according to:

- solidarity mechanism: 112 finance high social and/or environmental utility activities and 36 share all or part of their income with beneficiary associations. Of these 36 shared return investments, 14 have also incorporated a solidarity-based investment mechanism ;
- their distribution channel: 40 solidarity-based savings products are offered directly to the public by solidarity-based enterprises and financial funders, 80 are sold by banks and insurance mutuals, and 28 solidarity FCPEs are offered by companies via employee savings schemes.

The number of investments with the Finansol label (as at 31/12)



Source: Finansol

The graph above illustrates the annual change in the number of Finansol-labelled investments. This has increased every year, with the exception of 2012, when it fell from 128 to 122. This decrease is linked to the concomitant evolution in the label's regulations and the annual auditing procedure, which at the time introduced the criteria referred to above on commercial action. As a result, despite the award of the label to six new investments, twelve had the label withdrawn, mainly due to lack of sales and marketing promotion.

4. Focus on SRI labels

The Finansol label has acted as a source of inspiration for several SRI (Socially Responsible Investment) labels and other solidarity-based finance labels in other countries. While it was the first ethical finance label, in 1997, and remains the only one for solidarity-based finance in France, other SRI initiatives subsequently emerged.

In 2002, **the Comité intersyndical d'épargne salariale (CIES) (inter-union company savings scheme committee)** was set up by four trade union confederations (CFE-CGC, CFDT, CFTC and CGT). The representatives of the CIES award their label to responsible employee savings schemes, based on three main sets of criteria:

- Value for money: moderation of management fees, security through arbitrage between three different asset classes, and quality of service to employees ;
- Socially responsible management: conception of the SRI process, quality of procedures and analyses, resources and staff ;
- Governance: predominance (two thirds) of employees on supervisory boards, exercise of voting rights at the general meeting, auditing.

To date, twelve company savings schemes have been labelled by CIES, whose total assets account for 13.73% of the amounts deposited into FCPEs as at 31/12/2016.

CIES has recently become a member of Finansol.

In 2009, Novethic designed an SRI label for all CIUs (collective investment undertakings) managed according to ESG (environment, social, governance) criteria, and subsequently a second in 2013, dedicated to green funds. Until 2016, when it disappeared following the creation of public labels, the **Novethic SRI label** was awarded to over 300 funds managed by 40 management companies, and the **Novethic green funds label** to around 30 CIUs. A representative from Novethic has been a member of the Finansol label Committee since 2008.

In 2013, in its white paper on financing the ecological transition, the French Government announced that it wanted to create a public SRI label to

'strengthen the consideration of extra-financial issues surrounding the ecological transition (ESG criteria) among public and private financiers, investors and issuers'. The aim was to give more visibility to savers and around the product offering at European level. Several stakeholders participated in discussions on the creation of this label, including labelling bodies such as Finansol.

The public **SRI label** was officially created by Decree No. 2016-10 of 8 January 2016. The government owns the label. An SRI label committee sets the main guidelines for the scheme's coordination, and proposes changes to the specifications. The label is awarded by two 'labelling organisations' that have been accredited by COFRAC (France's accreditation board): Ernst & Young France and AFNOR. AFG¹ and FIR² are responsible for promoting it.

106 funds already hold the public SRI label, including nine which also hold the Finansol label. Solidarity-based CIUs, especially '90/10' funds are predominantly made up of 'SRI assets'. Some funds may therefore hold both labels.

A second public label has been created: **the TEEC label** (energy and ecological transition for the climate label). Discussions at the June 2014 banking and financial conference resulted in Decree No. 2015-1615 of 10 December 2015 on the energy and ecological transition for the climate label. Intended for investment funds, it ensures that these funds comply with criteria relating, in particular, to their direct or indirect contribution to financing the energy and ecological transition, and to the quality and transparency of their environmental characteristics. They may differ depending on the categories of investment funds and their potential thematic predominance.

This label also identifies funds that specifically contribute to financing the energy and ecological transition.

1. Association française de la gestion financière (French financial management association)

2. Forum for Responsible Investment



The three major financial innovations:

1. Solidarity-based citizen capital
2. Shared return savings
3. Solidarity-based funds

1. Solidarity-based citizen capital



Description

The mobilisation of citizen savings capital involves, for a solidarity enterprise, collecting capital contributions directly from individuals.

In the 1980^s, several initiatives were launched with this objective in mind. In developing this strategy, these enterprises raised funds to finance their activities and engaged citizens in setting up alternative financial circuits outside of financial institutions. Stemming from different schools of thought, these pioneering initiatives have expanded and charted a path on to which other players have embarked. These players have broadened the scope of solidarity-based finance, both through the fields in which they have been involved and the collection and financing mechanisms they have developed. They have expanded on the idea that the collection of solidarity-based savings from citizens represents dual financial and political leverage in the public interest, and enabled this to gain traction.

Subject to major regulatory constraints in order to be authorised to collect citizen savings in a public capacity, these players have built solidarity-based short financial circuits. Some, particularly because of their very local focus, are modest in scope, while others have grown their activity to the point of raising several tens of millions of euros every year.

Since its creation, Finansol has chosen to group this solidarity shareholding together with collections from banking and financial institutions under the general denomination of 'solidarity-based savings'. These different approaches, despite their different natures, share common principles of solidarity and transparency in the savings and financing circuits. The direct mobilisation by solidarity enterprises of citizen investments is nevertheless a section of solidarity-based finance that carries with it a specific political vision, faced with its own particular operational challenges.

The three main characteristics of citizen solidarity capital contributions are as follows:

- they receive little or no remuneration: the absence of the financial return requirement for contributors of capital enables solidarity enterprises to build economic models in which any profits generated are fully reinvested in the social mission ;
- they are invested in economic activities aimed at generating a social or environmental ;
- their management is transparent, even participatory: initiatives undertaken to collect citizen capital also embody a vision of citizens re-taking ownership of the issues surrounding savings and financing.

Two types of solidarity enterprises have carried out citizen capital-raising activity: solidarity-based financial funders, who use these funds to in turn finance enterprises and associations, and 'non-financial' solidarity enterprises, which use these funds to invest in their own activities. 'Non-financial' solidarity enterprises, having made a significant commitment to a strategy of raising citizen capital, are for the most part real estate companies in the field of low-cost social housing. A trend nevertheless seems to be emerging: the widening of the scope of solidarity enterprises active in this citizen capital-raising, with the arrival, within the scope of the Finansol label, of solidarity enterprises that do not belong to either of these two categories.

| Beginnings

The 1980^s saw the acceleration of economic and financial liberalisation. Key events in this decade were the arrival to power of Margaret Thatcher (in 1979) in the United Kingdom, and Ronald Reagan (in 1981) in the United States; two staunch supporters of a deregulated market economy in which state intervention in the public interest was no longer relevant. Financial market players, less and less subject to state regulation, carried out very profitable activities that were less and less tied to the productive economy.

This 'financialisation' of the economy marked the end of the compromise that dated back to the aftermath of World War II, and in which financial players' primary mission was the financing of the economy. Soon nicknamed 'the money years', the 1980s saw considerable fortunes built up on the financial markets without the capital invested ever helping to support productive activity.

Although it was not until 1983 that economic liberalisation spread to France, the country also embarked on this path throughout a decade that was also marked by the emergence of another phenomenon: mass unemployment. From just 3% in the mid-1970^s, the unemployment rate rose rapidly to over 8% in 1985 and then crossed the symbolic 10% threshold in the early 1990^s. This phenomenon calls into question the capacity of the economic and financial spheres to contribute to a model of society that generates social progress.

It is against this backdrop that the first solidarity-based finance initiatives emerged.

The CIGALES movement: transforming society by transforming finance

The CIGALES movement emerged in 1983 under the impetus of members of *Agence de liaison pour le développement de l'économie alternative* (agency for the growth of the alternative economy – Aldea). Aldea, the first solidarity economy network in France, established in 1981, is an association that promotes an alternative economy. It aims to bring about practices that 'transform the economy, such as by changing how savings are managed'. Aldea had the ambition of intervening at several levels: to develop an intercommunication network and create tools to promote new economic behaviours; to experiment with new lifestyles and modes of employment.

The founding text of this movement is a 'Manifesto for another economy' in which members condemn the dominant economic model and call for the development of alternative models. Questioning the 'unique wisdom of financial profitability', the authors set themselves the task of bringing funding to these alternative enterprises. It was in order to achieve some of these ambitions that members of Aldea devised, in 1983, the creation of a tool that would enable individuals to pool part of their

savings in order to support alternative enterprises. These are the CIGALES.

A CIGALES is an investment club for alternative and local management of solidarity-based savings, and brings together individuals (between 5 and 20) who pool some of their savings in order to invest them in small enterprises in their region. The investments are decided on collectively and the '*cigaliers*' are involved alongside the enterprises, supporting them throughout the club's financial commitment. Each club has a life cycle of 10 years, it collects and invests during its first five years, then goes into management mode (project support and portfolio management until disinvestment).

The 'CIGALES format' devised by Aldea members is that of an investment club with joint financial ownership status. This framework was adopted because it adhered to the economic principles championed by Aldea of democracy and equality: investments are chosen collectively and each '*cigalier*' represents one vote, regardless of their specific contribution to the funding pot. In addition, the CIGALES clubs have an educational

dimension: the *'cigaliers'* are trained together and with the project leader on financing and business management issues.

The first CIGALES clubs were Paris-based only and had timid beginnings, with less than ten CIGALES, two years after creation. The coordinators of the movement then launched an information and training campaign in order to achieve the target of 100 CIGALES in one year. The period was ripe with questions about how savings were used (financial deregulation, initial discussions on ethical investments etc.), and the CIGALES clubs' awareness-raising work echoed this. The target of 100 clubs was achieved in 1986.

In parallel, in 1985 in order to continue the movement begun by the creation of the CIGALES, and to complement the financing mechanism proposed by the clubs, Aldea's members created Garrigue. This is a cooperative financing company that collects capital from individual investors to invest in socially-owned enterprises (*entreprises collectives*). This organisation was created in response to the CIGALES clubs' insufficient investment capacity.

Since the format of the clubs was limited to twenty people, the investment amounts proposed could not exceed a few thousand francs. By broadening the potential collection base, and by calling on a number of institutional investors, Garrigue sought to free itself from this limitation, in order to be able to fund more substantial needs, particularly for growing enterprises. Garrigue mainly targeted organisations that carried out activities related to

the environment (organic farming sector, 'eco-products' etc.) and fair trade.

Today there are more than 250 CIGALES, bringing together over 3,300 people. The regions where the movement now has the greatest presence are Brittany (53 clubs in 2016), Nouvelle-Aquitaine (37), Pays de la Loire (37), Hauts-de-France (36) and Paris region (32). Meanwhile, Garrigue has nearly 900 subscribers.

While most of Aldea's action has focused on the development of the CIGALES clubs, the creation of this financing tool is well and truly part of a wider political vision to develop an alternative economy. This tool embodies a number of principles along these lines: the transformation of finance by asserting its role as a tool that contributes to economic activities, the transformation of the economy by promoting the development of enterprises that offer alternatives to the dominant model, the promotion of democracy through economic citizenship, through the peer-to-peer training of the *'cigaliers'* in the principles of business management. The CIGALES clubs have since made themselves autonomous, by creating a national federation and subsequently regional associations.

Herrikoa: re-localising the economy through solidarity-based savings

In 1979, when the Basque country had a high unemployment rate, a small group of people created the Hemen association. This was the culmination of a movement that began in the 1970^s to incorporate cultural and political elements into economic development choices. This regionalist movement, a counterpart of the cooperative movement in the area, whose activity was increasing, promoted an alternative vision of the economy. Despite the closure of major companies in the region, rising unemployment and population decline in the inland Basque country, Hemen highlighted that the majority of local savings were invested outside

the region, due to a lack of economic initiatives to finance locally. This association therefore aimed to stimulate local economic development through the mobilisation of the savings of the region's inhabitants.

To do this, in 1980 Hemen created Herrikoa, a company whose mission was to collect and invest these savings. Herrikoa aimed to support local enterprise creation, transfer, consolidation and development, with a particular focus on job creation and consolidation. Herrikoa positions itself as a local venture capital company, and its financing

operations take the form of capital and quasi-equity contributions.

The first subscription campaign raised 2.5 million francs from 700 people. In 1990, just ten years after it was established, Herrikoa already had 4,500 subscribers, mainly private individuals, but also local companies and institutional investors (Chamber of Commerce and Industry, Regional Council, Caisse des Dépôts and Consignations, etc.).

While Herrikoa only finances SSE (Social and Solidarity Economy) organisations as a marginal activity, its management mode embodies a certain number of its principles, including the separation of governance and shareholders, as well as the lack of distribution of dividends to shareholders. In 2013, Herrikoa changed its legal form to become a public limited partnership.

This status, adopted by a significant number of solidarity-based financial funders and enterprises that collect solidarity-based savings, makes it possible to dissociate governance from share capital ownership. In other words, with this status, Herrikoa's capital subscribers agree to waive their participation in decision-making, and delegate their votes to a general partner who carries out all governance-related tasks. This general partner is SAS Herkide, a simplified joint-stock company

created for this purpose, and bringing together the Hemen founding association and four local enterprises. The shareholders are nevertheless represented by a supervisory board made up of eighteen of them, responsible for overseeing the company's management, and for ensuring compliance with its ethical charter.

Since it was established, Herrikoa has invested more than €15 million in over 300 local companies, helping to create or consolidate more than 3,000 jobs. Today, Herrikoa has a capital of more than €7.6 million, of which around €6 million are invested.

Parallel to this growth, the Hemen association continues its economic initiatives in the region: awareness campaigns, business start-up support and training, organising talks and debates etc. It also coordinates the establishment and support of the CLEFEs (local investment clubs for women entrepreneurs), clubs with a format similar to that of the CIGALES (see page 20), but dedicated to financing enterprises set up by women.

Habitat et Humanisme: solidarity-based savings for access to housing

While the pioneers of community and solidarity-based savings were initially financing players that collected savings in order to invest in enterprises, since the 1980^s, one solidarity enterprise has also been engaged in a strategy of collecting savings in order to finance its own projects: Habitat et Humanisme.

Habitat et Humanisme was the product of political and spiritual reflection. Bernard Devert, then a real estate agent destined for the priesthood, noticed the antagonism between economics and his own religious convictions: *'How can we change the economic act to make it an act of solidarity? It is a question of introducing into the field of economics this necessary resistance to power, that is, ultimately removing from money its pretention to decide everything, to direct everything, so that the economic and financial act is confronted by a concern for*

welcoming in another rationale that goes by the same of solidarity. (...) The sudden occurrence of financial instability and the very marked feeling of exclusion express how the economy, as it is conceived and experienced, is today incapable of responding to its own vocation. Instead of humankind for the economy, the economy for humankind - it is the duty of every humanist to reject an economy uses humankind for economics.'

It is around the subjects of housing and social diversity that Bernard Devert cemented his conviction that public interest imperatives had to dominate over the economic sphere.

The first Habitat et Humanisme project emerged in Lyon in 1985. *'In those years, poor housing was mainly experienced by immigrant families, particularly from North Africa, who found themselves*

in unhealthy city centre housing. In Lyon, the situation was worse in the Guillotière district. In addition to the inhuman conditions suffered by the families, there was a discriminatory attitude among some elected officials, not to mention hateful narratives that were frequently used when referring to North African people', remembers André Gachet, coordinator of Alpil, an association focusing on integration through housing, initiated with the support of CIMADE, a solidarity-based association supporting migrants, refugees and displaced people.

These players, witnessing a lack of political will on the subject of housing for the vulnerable poor, migrants in particular, began in January 1985 a reflection on the creation of a 'real estate intervention tool for the old housing stock private market'. They then decided to organise to acquire a property, to renovate it and offer it as a more dignified option for families experiencing poor housing. Meanwhile, Bernard Devert, at the time a real estate agent who had created the Habitat et Humanisme association, proposed that they form a real estate investment company (*société civile immobilière* - SCI).

In December 1985, a totally empty building belonging to the city of Lyon was identified. Initially acquired to be demolished, this building was located on Rue de Marignan in the third *arrondissement* of Lyon. It took almost 3 years to raise 1.5 million francs, to overcome administrative and financial barriers and accomplish this operation. Individuals and associations were asked to invest in this real estate investment company, and thus enable the creation of thirteen housing units intended to accommodate people experiencing exclusion.

Taking up the baton from this first operation, the Habitat et Humanisme real estate company was established in 1986. It was through this company that Habitat et Humanisme collected capital from citizen investors initially, and soon after from institutional investors. The capital collected, invested in construction, acquisition or renovation projects, had a leverage effect on government and local authority social housing subsidies, as well as on loans from Caisse des Dépôts and Consignations and financial institutions.

The creation of Habitat et Humanisme was the brain child of Bernard Devert, as an act of resistance to how housing was changing: *'Habitat et Humanisme says*

NO to housing that focuses on poverty, NO to housing that represents a refusal to live together, and of course NO to the fact that some of our contemporaries can no longer find housing (...). Habitat et Humanisme is committed to opening up the city as an economic activity, especially to those who are excluded from it.' The association's objective is to enable people with low means, who are experiencing poverty due to their social situation, their age, disability or health, to access decent housing adapted to their situation and their means.

In addition, because it espouses the idea of social diversity, Habitat et Humanisme favours the creation of housing in city centres, to avoid contributing to the phenomenon of urban ghettoization. In parallel to this political position, Habitat et Humanisme, the results of an initial questioning of the relationship between the economy and the social, has since its creation in the field of economics, developed alongside real estate, a model different to that of 'conventional' solidarity-based associations. Its activity is of an economic nature – creating and managing housing – and serves social objectives.

From this first project, Habitat et Humanisme has expanded its initiatives and grown substantially. Today it is a movement that brings together several dozens of components: local associations that provide social support work and which are part of a national federation, the real estate company (see above), real estate agencies with a social purpose (AIVS), a second real estate company called *Entreprendre pour Humaniser la Dépendance* (EHD), primarily active in the construction and renovation of EHPAD^s (housing for elderly dependents) for low-income dependent people, etc. The mobilisation of solidarity-based investments, e.g. through the coordination of local voluntary groups, represents an important part of this movement.

The Habitat et Humanisme real estate company had around 7,000 individual shareholders in late 2016, holding more than 56% of its capital, which amounted to €183 million.

SIDI: the internationalisation of solidarity-based finance

CCFD-Terre Solidaire was also a central player in the emergence of solidarity-based finance in France, contributing to the creation of the first solidarity banking product, the 'Faim et Développement' (hunger and development) FCP (see page 42), but also creating, from the early 1980^s, an organisation for investing in solidarity economy projects located outside France: the SIDI (international society for development and investment).

More than simply a fundraising strategy, CCFD-Terre Solidaire's commitment to solidarity-based finance was a reaction to two major geopolitical realities of the late 1970^s: French banks' support for the apartheid regime in South Africa, and the need to provide support to the Polish people, at the time governed by General Jaruzelski, who wanted to develop a free and private economic area. The need for a mechanism capable of investing in economic projects led to the creation of SIDI, whose capital was endowed with donations from the 'Faim

et Développement' FCP, which itself enabled the promotion of ethical finance (see page 43).

SIDI, initially designed to support projects based in Poland, was then expanded, mainly in developing countries. It provides funding to organisations involved in the development of microfinance, or rural organisations, and support to ensure the sustainability of its partners.

It is the capital collected from its solidarity-based shareholders that finances its investment activity. In late 2016, there were nearly 2,000 shareholders. Although SIDI has also opened up to corporate investors, community shareholders represent nearly 45% of its capital, which is as much as €22 million.

Summary

What these pioneers of citizen capital collection have in common is having created collection and financing tools that can be used for a profoundly political project.

None of them were therefore designed as a 'simple' financing mechanism. Stemming from different schools of thought (for promoting the alternative economy, popular education, defence of a regional identity, international solidarity etc.), the financial

activity of these pioneers of solidarity-based financing is part of a broader framework. The same applies to their capital-raising activity. Beyond what it enables in terms of funds, the collection of savings is part of these players' political project: their commitment to solidarity-based finance is part, to greater or lesser extents, of a calling into question of 'traditional' finance.

The trail blazed in the 1980s by the pioneers of citizen capital-raising has since been followed by several dozens of players. Many of them have drawn inspiration from these models and adapted them to their projects.

Solidarity-based venture capital

While Herrikoa and the CIGALES movements were pioneers, other initiatives were part of this short solidarity-based financial circuit trend.

In 1990, it was initially in the Nord-Pas de Calais region (now renamed Hauts-de-France) that a new solidarity-based financial initiative was first developed. In a region hit hard by the decline of the mining, steel and textile industries, several players, including Garrigue and the CIGALES regional association, founded **Autonomie et Solidarité**. The local context made combating unemployment its priority. By mobilising local investment, this venture capital cooperative invested in small businesses, particularly targeting projects with strong job creation potential in the areas most affected by deindustrialisation.

Femu Qui, established in 1992, brought the project implemented by Herrikoa in the Basque country to Corsica: providing activists promoting a regionalist vision of the economy with a financial tool capable of implementing this vision. The ethical charter of Femu Qui states as follows: *'The work by the employment investment company 'Femu Qui S.A.' is part of a strategy focused on the collective interests of the Corsican people (Corsicans by origin and Corsicans by adoption), its men and women, their culture, their land, their resources and their values.'*

Similar to Herrikoa, Femu Qui did not adopt cooperative articles of association, and its rationale is more in line with an economic localisation philosophy than with the SSE movement. Its stated objectives include reducing Corsica's economic dependency, rebalancing economic development between coastal and inland areas, and enhancing local resources. Its ethical charter nevertheless clearly defines its solidarity mission, and the framework within which its activities are carried out: *'Femu Qui differs from traditional venture capital companies in that its rationale is not just that of high*

financial profitability (...). Femu Qui's operations aim to build a Corsican economy where capital is a tool for humankind, for their social success. Its operations will always relate to objectives of dignity, solidarity, responsibility and social justice.'

Inspired by these experiences, the creation of **Initiatives pour une Économie Solidaire (IÉS)** (initiatives for a solidarity economy) in the Midi-Pyrénées region does not, however, follow a totally identical approach. In 1998, a small group of citizens, brought together by an ecologist elected representative from Toulouse, worked on a project to develop the solidarity economy in their area. This group, founded several years earlier around the creation of a day nursery and a CIGALES in Toulouse, decided to create two entities simultaneously: ADEPES (agency for the development and promotion of the solidarity economy), which would play a primarily political role in developing links between solidarity economy initiatives and local authorities, and IÉS, which would be the mechanism for financing solidarity economy projects.

While implementing the venture capital risk model, with local capital-raising focused towards the financing of projects of high social utility, IÉS offers a 'version' more focused towards SSE in terms of projects financed, and also political in its ambition to create links with regional authorities (this ambition manifesting itself through the work of ADEPES, as well as its structuring as a collective interest cooperative (SCIC), designed to incorporate local authorities in the project's governance).

Without focusing on a particular region, but targeting support to a specific form of economic activity, **Énergie Partagée Investissement (EPI)** offers another variation on citizen capital-raising. Established in 2010, the Énergie Partagée association brings together players from the energy transition field and is active in raising awareness and

mobilising around the challenges of citizen energy production projects.

Énergie Partagée's definition of these projects is based on four key points set out in the movement's charter: being rooted in the local area (control of the project rests in the hands of the region's inhabitants), open governance (decisions must be taken in an open and transparent manner), ecological demand (the project forms part of a strategy of respecting nature and reducing energy consumption) and a non-speculative approach (the profits generated are reinvested in the activity and in awareness-raising initiatives).

The association soon created an investment tool, EPI, to be funded through the collection of citizen capital. The purpose of this tool is to enable groups with renewable energy production projects to raise the necessary equity to get off the ground and to maintain citizen control over them. Through its operations, this fund gives concrete expression to the political narrative that advocates citizen ownership of energy-related matters.

Unlisted shares of Finansol-labelled solidarity-based financial funders

1999	Shares of la Nef
1999	Shares of Autonomie et solidarité
1999/2015	Undivided shares of the CIGALES (investment club for alternative and local management of solidarity-based investments)
2000	Shares of Garrigue
2000	Shares of IÉS (initiatives for a solidarity economy)
2002	Undivided shares of the CLEFES (local investment clubs for women entrepreneurs)
2002	Shares of Caisse Solidaire
2004	Unlisted shares of Femu Qui
2006	Unlisted shares of PhiTrust Partenaires
2009	Unlisted shares of Herrikoa
2011	Unlisted shares of EPI (Energie Partagée Investissement)
2012	Shares of SPEAR (Société Pour une Epargne Activement Responsable (company for actively responsible investments))
2015	Unlisted shares of Cocagne Investissement

Source : Finansol

Similarly, the capital-raising 'model' developed by Habitat et Humanisme has inspired a number of other players in housing integration. **Solidarités Nouvelles pour le Logement** (SNL) is one of them. The association was established in 1988 by a small group of residents of Paris's 19th *arrondissement*, who had witnessed a severe shortage of rental housing suitable for low-income people. A *Groupe Local de Solidarité* (local solidarity group) was formed, and collected enough donations to purchase a first home. Support from the government, which in 1990 gave associations the right to subsidies for social housing, enabled SNL to expand its work. In 1995, the association created SNL-Prologues, a cooperative set up for the acquisition of housing. Initially consisting of local associations that invested the donations they collected, the capital of Prologues was then opened up to direct subscriptions from individuals.

Established in 2004 by four housing integration associations in the Paris region (including SNL), the SCIC **Habitats Solidaires** established itself as a charitable and solidarity economy society. Its main aim is to improve integration into housing, through housing, of people or families who are excluded from access to housing for economic and social reasons in the Paris region. Beyond its core business, Habitats Solidaires has the unique quality of 'importing' cooperative principles into the low-cost housing sector. Constituted as an SCIC, Habitats Solidaires heavily includes both local authorities and tenants and beneficiaries of its work in its mission, each of these categories of players having a specific group on its board of directors.

Solidarity capital-raising for land and property investments has not remained the prerogative of local social housing players. In 2006, the **Terre de Liens** association itself incorporated as a land company. This association established in 2003 set itself the mission of freeing up land from real estate speculation, promoting farmers' access to land, promoting citizen projects to boost rural areas and supporting environmentally friendly agriculture.

The real estate company is the technical vehicle for this political project. By raising capital from the community, it acquires the funds to purchase farms and agricultural land, which it then rents to farmers with the aim of encouraging the establishment or maintenance of agricultural, organic or biodynamic production projects and promoting the link with civil society (direct selling, receiving the public, link with local authorities, etc.).

In parallel to this work to encourage responsible agriculture, the Terre de Liens land company enables the construction of short financial circuits by mobilising, around each of the farms in which it invests, the local community, whose contributions it canvasses in order to cover at least 60% of operational costs. In addition to the financial leverage, this 'local' capital-raising is a driver for engagement and raising awareness around the project. A similar model was developed in the Basque country in 2013: **SCA Lurzaindia**.

Other community capital initiatives aimed at investing in land and solidarity-focused property include: **Pierre Angulaire** and its collection mechanism, **Entreprendre pour Humaniser la Dépendance** (EHD), the real estate company **Chênelet** set up by the integration enterprise of the same name, **SOLIFAP**, a solidarity-based financing vehicle created by the **Abbé Pierre foundation**, **Caritas Habitat**, a real estate company created by **Secours Catholique**, and **Familles Solidaires**, whose work begun in 2017 is specifically dedicated to housing and support for people with brain injuries and vulnerable people.

Unlisted shares of Finansol-labelled real estate companies

1999	Unlisted shares of Habitat et Humanisme
2004	Shares of Habitats Solidaires
2007	Shares of EHD (Entreprendre pour Humaniser la Dépendance)
2007	Unlisted shares of Terre de Liens
2010	Unlisted shares of Chênelet
2010	Unlisted shares (B shares) of SNL-Prologues (Solidarités Nouvelles pour le Logement)
2013	Unlisted shares of Lurzaindia
2015	Unlisted shares of SOLIFAP
2016	Unlisted shares of Familles Solidaires
2016	Unlisted shares of Caritas Habitat

Source: Finansol

Financing organisations established by developing country players

Political questions relating both to the social role of finance and to financing mechanisms dedicated to solidarity initiatives are not specific to France. As early as 1968, in Sweden, a general assembly of Protestant churches debated the use of church savings by banks. Following this, in 1975, at the initiative of the World Council of Churches, the SCOD cooperative society came into being, which would become **Oikocredit** in 1999.

This financial cooperative aims to offer churches investment solutions that are in line with their ethical values. The resources collected are aimed to be invested in developing countries, in small enterprises set up by people experiencing exclusion. The first two projects financed were an agricultural cooperative in Ecuador and a social housing project for low-income employees at a hospital in India.

Initially designed as an ethical investment solution for churches, it quickly opened up subscription to shares to individuals, regardless of their religious beliefs. The movement quickly spread to France, and in 1977 volunteers formed, in Franche-Comté, the first French Oikocredit association.

Four more would emerge in subsequent years and, in 2008, a national office was established. These local associations, as well as the national office, carry out capital-raising work first and foremost. Since regulations prevent the distribution of shares in a

Dutch cooperative in France, Oikocredit is required to use a substitute: issuing depositary receipts, which are 'mirror shares' of the cooperative.

Oikocredit's evolution also relates to the nature of the activities supported. Since the 1980s, the cooperative has been committed to supporting microfinance, which today represents the majority of its investment portfolio. In recent years, Oikocredit has also diversified its investments by directly supporting projects in the agricultural and renewable energy sectors, for example.

Few other developed and developing country solidarity-based finance players have developed community fundraising models like Oikocredit or SIDI: more recent players have given greater priority to raising funds from institutional investors (Entrepreneurs du Monde via **Microfinance Solidaire** and **Acted**). However two exceptions are **Cofides Nord-Sud**, which, through capital-raising and partner current accounts, acts as a guarantor for bank financing to entrepreneurs in developing countries, and the **FADEV** cooperative, from the African funds initiated by Garrigue, which provides equity capital to small solidarity enterprises in West Africa.

Unlisted shares of Finansol-labelled solidarity-based financial funders

1999	Unlisted shares of SIDI
2000	Current account of solidarity-based partners of Cofides Nord-Sud
2009	Oikocredit depository receipts
2011	Unlisted shares of Microfinance Solidaire
2014	Shares of FADEV

Source: Finansol

Participative and solidarity-based finance

By establishing a link between savers and companies seeking financing, participative finance offers mechanisms likely to build a new class of solidarity and citizen capital. Among the many initiatives that have emerged in recent years, only fifteen or so offer individuals the chance to invest in a company's equity. Moreover, only a few espouse the principles of solidarity-based finance. A majority of platforms offer first and foremost a financial return without incorporating the social utility of the projects in their selection criteria.

However, although still rare, 'crowd equity' initiatives focused on projects of high utility offer a new version of solidarity-based citizen investment. Other platforms that are more intermediated have also developed: **SPEAR**, which collects savings in order to facilitate access to bank credit for solidarity enterprises, and **Babyloan**, which offers microloans for projects selected by Institutions de microfinance institutions (MFI^s), located in developing countries.

However, these platforms do not have quite the same purpose as the historical solidarity-based financial funders. By centralising capital-raising within a vehicle that plays the role of an intermediary between savers and projects, solidarity-based

financial funders create a collective financing tool, where participative finance platforms favour the creation of a direct individual link between a saver and a project. This difference has specific implications, including the fact that as part of totally disintermediated financing, such as proposed by the crowdfunding platforms, there is no pooling of risk or return: savers who have invested in a company that generates profitability receive a return, while those who have invested in a project that ultimately goes bankrupt suffer a loss. Intermediation of capital-raising by solidarity-based financial funders makes it possible to pool risk and return, reinforcing the collective nature of the initiative.

Key figures

The volumes of capital raised by solidarity enterprises are hardly comparable to the total bank and financial savings that financial institutions collect each year on the solidarity-based products they distribute. The nature of the collection – of capital, unremunerated or receiving little remuneration, entirely devoted to activities with high utility on the one hand and, on the other, medium-term and remunerated savings deposits – makes comparing these different solidarity-based savings collection modes largely irrelevant.

In 2017, more than 30 solidarity enterprises were collecting citizen capital via the Finansol label.

For information, since this section is dedicated to solidarity-based citizen capital players, the following information differs from those consolidated by Finansol for all of the solidarity enterprises and financial funders in their various publications.

As at 31 December 2016, the total amount of assets

from this collection activity amounted to around €292 million (up 14% in one year). This figure is the result of contributions from nearly 90,000 individuals (up 4.4% in one year). 10 years earlier, these contributions were almost 4 times less.

These same enterprises had collected more than €260 million from institutional investors (mainly solidarity-based CIU^s, see page 60) by the end of 2016.

Among the achievements made possible by financing and investments resulting from this collection in 2016:

- more than 600 companies and associations financed in France to the tune of €47.2 million ;
- €56 million invested by social housing companies and 360 homes purchased or renovated ;
- solidarity-based financing: around 100 projects located in developing countries financed (over €26 million).

Key success factors

While the collection of citizen capital by solidarity enterprises has not, in quantitative terms, achieved the collection levels achieved by traditional financial institutions, it has increased steadily over the last 30 years. Several factors can explain this growth.

A political project that echoes French people's concerns

Firstly, as mentioned above, the collection of citizen capital is part of a political project, and it is by encouraging support for this project that these initiatives have been able to develop. Since the 1980^s, the 'financialisation' of the economy has greatly increased, and questions about the social role of the economy and finance have grown. By proposing financial circuits disconnected from financial institutions, solidarity-based finance players – and particularly citizen capital collectors – have helped to build an alternative that responds to these questions.

In view of financial speculation, where the financial crises of the 2000^s were an issue of public concern, solidarity-based finance proposes a return of finance to its primary purpose: supporting productive economic activities. It also offers transparent, short circuit finance, encouraging citizens to take ownership of financing the economy. In this way, it

contrasts with a financial system that remains too often opaque and a lack of knowledge of these issues among the general public. Finally, beyond the question of what finance's role is seen as being, by promoting an economy that incorporates social and environmental issues into its models, solidarity-based finance players challenge the traditional economic system and its impact on society.

By going beyond 'simple' political narratives and building micro-alternatives, players promoting citizen shareholdership have attracted support from several tens of thousands of individuals. However, while buy-in to these values was a necessary step, the collection of citizen capital by these players needed to rely on other elements.

Tax incentive schemes

Although regulations on state aid for capital investment are constantly evolving, tax incentives are a key factor in the success of solidarity-based shareholdership.

Solidarity enterprises of social utility are, rightly or wrongly, considered SMEs. As such, individual subscribers can benefit from the tax schemes specific to investment in SME capital:

- The 'Madelin' scheme, which allows 18% of an SME's total capital subscription to be deducted from its income tax (capped at €10,000) ;
- The 'ISF-SME' scheme, which allows 50% of an SME's total capital subscription to be deducted from its solidarity wealth tax (up to €45,000).

While these schemes are accessible to all SMEs, the government has gradually recognised the specific nature of solidarity-based shareholdership.

In 2007, real estate and financial activities, which are excluded from the eligible activities, were authorised if the undertakings that claim to do so are led by enterprises that have received solidarity enterprise accreditation (this became ESUS in 2014 – see page 61). The inclusion of these two activities had a major impact on the sector, with most of the 'big' collectors of citizen capital engaged in either one of these activities.

Since early 2015, European regulations (Commission Regulation declaring certain categories of aid

compatible with the internal market) have changed, and restricted the scope and volume of these deductions: only SMEs of less than seven years standing can now offer their subscribers the option to deduct part of their contribution from their taxes. Similarly, the amount of subscriptions qualifying for these reductions is capped at €15 million (pursuant to the Commission Regulation of June 2014). Once again, the French legislator has recognised the specific nature of solidarity enterprises. In the context of the transposition into French law of this EU regulation, and thanks in particular to work carried out by Finansol, the government confirmed the option for ESUS⁹ carrying on real estate or financial activities to continue to allow their subscribers to benefit from tax advantages (with nevertheless, for financial activities, a ceiling of €2.5 million per year for subscriptions granting entitlement to a tax reduction).

The 2018 government finance act introduces a new amendment to the tax schemes, by abolishing the solidarity wealth tax (ISF), and by extension the ISF-PME. This abolition leading to the disappearance of the main tax scheme that was linked to it, poses a

significant risk to the collection of citizen capital by solidarity enterprises. Tax incentives are a key factor to the success of solidarity shareholdership.

Shares in the capital of solidarity enterprises are not remunerated at all, or receive little remuneration, and the tax schemes partially 'offset' this lack of remuneration. Even if a large proportion of individuals who invest part of their savings in the capital of solidarity enterprises do so primarily with the desire to contribute to a social utility initiative, the benefit of this deduction has made it possible to widen the circle of subscribers beyond 'activist savers'.

Finansol therefore highlighted, in its study *Les épargnants solidaires* (solidarity savers) published in 2014, that the most intense collection period for the solidarity enterprises studied was the fourth quarter. Savers have until the 31st December each year to invest in the capital of an enterprise and benefit from the tax reduction for the current financial year. This confirms the idea that tax reductions are an incentive and an assurance for savers about the reliability of the organisations offering them.

Players' capacity to collect savings

A response in accord with the political concerns of a growing number of citizens and the tax incentives schemes would, nevertheless, be insufficient if solidarity enterprises had not developed operational capacities for savings collection. Often initiated by associations, a certain number of whom had until then 'specialised' in collecting donations from individuals savings, collecting savings entails another approach, and other resources.

The regulatory framework for capital-raising is different from that for the collection of donations, and solidarity enterprises have had to work with a series of constraints that were not, until then, part of their sphere of activity. There is, however, a degree of continuity: associations with a dense network of volunteers have succeeded in making this network a force for promoting solidarity savings.



Label Finansol

The Finansol label is designed for savings products. In the case of solidarity enterprises collecting capital contributions from citizens (and institutions), the thing that can be labelled is share capital in the enterprise. The labelling of these shares requires, for the Finansol label Committee, an examination of the enterprise's activity as a whole, since labelling capital shares as a collection tool more or less amounts to labelling the enterprise as a whole.

The principle enshrined in the label's regulations for labelling an equity collection tool is therefore the following: 'if the product is a security or similar product issued by a legal entity, its activity must be entirely solidarity-based, and therefore the funds collected must be entirely dedicated to financing the solidarity-based activity'.

The labelling of capital shares or other equity tools is thus reserved for organisations with a social utility purpose. This makes it possible to reject the labelling of equity collection by an enterprise, where the majority of its activity would not have a social utility purpose, in favour of an isolated project that would meet the social utility criteria defined by the label. The two points examined by the label's Committee concern, on the one hand, management of the collecting organisation and, on the other, the nature of the activities financed using the funds collected.

Nature of the activity

To give the Finansol label Committee the tools it needs to determine the solidarity nature of the savings collection tools whose applications are submitted to it by solidarity enterprises, Finansol has developed several benchmarks. As the association that adopts an approach of openness, these benchmarks only contain a few discriminatory criteria. Nevertheless, they make it possible to construct a sufficiently broad set of indicators to judge whether the initiatives are in keeping to the spirit of the label.

These benchmarks exist for the main activities applying for the label.

// Solidarity-based financial funders in France

The large majority of solidarity enterprises collecting capital are financiers who use the collected funds to invest it in enterprises and associations. Judging the solidarity nature of these players, on which access to the Finansol label depends, is based on two points: the typology of the projects financed and the nature of the financing mechanisms.

- ***Typology of the projects financed***

To be recognised as solidarity-based financial funder, the players applying to the label must demonstrate the social utility of the activities they finance. The position of Finansol and the label Committee regarding the scope of activities that can be financed by the collection of solidarity-based savings is deliberately open. If the financier's primary mission is to generate social utility, this concept has several meanings.

The different examples presented above illustrate this diversity: some players define themselves in relation to a region, others to a very specific sector of activity or type of enterprise. This is why there is no closed list of 'eligible' activities. Finansol has nevertheless set a relatively broad framework of projects towards which solidarity savings could be directed. Within this framework, financiers are asked to explain their targeting and their selection processes.

- ***The financing mechanisms***

Solidarity-based financial funders collecting citizen capital operate, as regards the enterprises and associations they finance, almost exclusively through contributions of equity and quasi-equity. This activity gives rise to an examination of several aspects by the label Committee.

Since solidarity-based financial funder does not seek to take control of an enterprise, it is considered that their shareholding capital must not exceed 30% of the total capital. In addition, since solidarity investor activity is not intended to maximise financial return, Finansol's benchmark also takes into account the rates applied to quasi-equity tools. If no ceiling is formally set, Finansol's access to the financial funder's activity data makes it possible to verify the conformity of the players' practices in relation to each other. Another key principle of solidarity-based financing lies in the patient nature of the investment. If they have no aim to commit themselves to perpetual shares in the capital of the enterprises they support, a solidarity investor must nevertheless time their intervention appropriately and ensure that the outflow of capital does not affect the project's sustainability. Note the capital outflow policy. The priority of the solidarity investor must be to find solutions that will preserve the continuity of the enterprise and its corporate purpose (redeeming shares by the enterprise when its circumstances allows this, or by an investor, in compliance with the enterprise's mission).

Finally, even if it is not routine and takes different forms, support for the projects financed represents an important part of solidarity-based financial funders' activity. In this regard, the label's regulations question applicant financial funders about the type of strategy they will be implementing.

// **Low-cost social housing**

Of the activities carried out by solidarity-based enterprises engaged in collecting citizen capital, low-cost social housing is the most heavily regulated. Regardless of their collection of funds, housing integration players are bodies recognised as such by public authorities; this recognition having specific consequences on their ability to engage in initiatives and to request public co-financing. As players in *Maitrise d'Ouvrage d'Insertion* (integration building works contracting – MOI), solidarity-based real estate companies target people excluded from access to conventional social housing, which requires a very low ceiling on rents.

// **International solidarity**

International solidarity-based financial funders aim to contribute, in their countries of intervention, to combating poverty through financial and technical support for local economic initiatives that generate social utility. Their support is directed towards two main types of players: microfinance institutions and small and medium-sized local enterprises, particularly in the agricultural sector.

In order to fall within the scope of the Finansol label, the support for microfinance must be part of social impact research process. In concrete terms, the label Committee focuses on the microfinance institutions (MFI^s) targeted by financiers, for example through the prism of 'third-party' classification developed by players in this sector (based on size and sustainability criteria, for example).

These must therefore favour MFI^s that have little access to other investors called 'third-party 3s' (small entities that have not reached their break-even point), or 'third-party 2s' (profitable MFIs that are not comparable to banking players). In addition, solidarity-based financing is intended to favour MFIs whose target population is itself excluded from access to traditional microfinance, particularly in rural areas. Finally, the MFIs targeted by solidarity-based financing are those whose financing activity is complemented by an extra-financial service offer that may include training or social support and guidance.

Financing productive activities, which is more diverse, cannot be clearly defined ex ante and implies some flexibility. Financiers are nevertheless asked about the financial and social criteria that guide their selection.

Management of the collecting enterprise

Beyond the nature of the activities at which solidarity savings collection is directed, the Finansol label's regulations require verification of two aspects relating to the management of the enterprise carrying out this collection: profit distribution and transparency.

The label's regulations stipulate that the aim of the solidarity-based financial funders is not to maximise the value held by its shareholders, and that the profit generated must be distributed equitably between the various stakeholders. Although the profitability of these enterprises is necessarily limited, because of the nature of the activities they carry out, it must first be used to develop the activity before being distributed to contributors of capital.

In addition, independently of their purpose to provide financing mechanisms to enterprises with high social utility activity, solidarity-based finance also champions the principle of transparency in finance. This transparency applies to subscribers and, in the case of solidarity-based financial funders, to the enterprises and associations financed.

Shareholders of solidarity-based enterprises must, as a minimum, be regularly informed about how their investments are being used.

In some cases (CIGALES, IÉS, crowdfunding platforms), subscribers even participate in choosing the financed projects, thus promoting the rationale of transparency towards participation. The transparency of solidarity-based enterprises and financial funders vis-à-vis their subscribers also relates to the 'health' of the organisation. Thus, the label Committee accepts that by its very nature a capital contribution in an SME is a risky investment, and ensures that this risk is clearly notified to current and potential subscribers.

The enterprises and associations financed are also affected by this rationale of transparency, since they must be provided by the financiers with the most comprehensive information on the financing mechanisms that they mobilise.



Like the CIGALES, Herrikoa, SIDI and Habitat et Humanisme discussed earlier (see page 20), la Nef is one of the pioneering solidarity-based financial funders, with its own characteristics and sources of inspiration. Like many solidarity-based enterprises and financial funders, it collects citizens savings to finance projects of high social and/or environmental utility. However, it stands out for its ethical banking

perspective, which is still unique in France and makes it an emblematic player in solidarity-based finance. La Nef is therefore today the only organisation to be both a solidarity-based financial funder and a bank. The words of Amandine Albizzati, head of institutional relations at la Nef, provide a guiding thread for the project's presentation.

Origins of the project

La Nef (Nouvelle Economie Fraternelle) was created in the 1970s as an association, at the initiative of Henri Nouyrit and Jean-Pierre Bideau. The founders of la Nef came from several movements, as Amandine Albizzati points out: *'Henri Nouyrit was a farmer involved in agricultural cooperatives. Jean-Pierre Bideau was a teacher. His background was in alternative education, such as Montessori schools and those from the anthroposophical movement.'* She says that *'this movement develops the idea that the economy should be a vehicle for sharing. A bank is an exclusive tool for creating the link between solidarity between people, between savers and borrowers, and among borrowers. The bank is also a formidable tool for non-violent social transformation that promotes the seeds of the new, of innovation in ways of living together, with people's autonomy and responsibility at the heart of this thinking.'*

The founders of la Nef came together around a group of citizens in order to support projects that could not find financing through traditional banking channels. They studied the model of European ethical banks that emerged in the early 1980s in Germany (GLS Bank) and in the Netherlands (Triodos).

From the outset, la Nef's mission was therefore to

create an ethical bank. In 1978, the founders began by creating the equivalent of a savings bank, in the form of association, to finance projects of high social and/or environmental utility. The association's purpose was, therefore, to collect citizens savings and then directly provide loans. With the evolution of the Finance Act in 1988, la Nef changed its status as an association to that of a financial cooperative, after obtaining accreditation from the Bank of France. From a regulatory perspective, la Nef could at the time only collect investment through the subscription of shares in the capital of the financial company and via term deposits, and reusing these savings in loans.

La Nef attaches great importance to the fact that it uses citizen investments to finance solidarity projects. This *modus operandi* is an integral part of its mission to set society in motion through citizens investment, to contribute to the ecological and social transition.

The role of la Nef's members and partners

Cooperative principles play an important role in the la Nef's project. Due to the ethical bank's regional presence, local groups of members have an influence on the project's development. *'It was they who wanted to move towards crowdfunding, for example. We therefore created the two platforms 'Prêt de chez moi (loan from home)' and 'Zeste'. Members wanted to finance the projects of their choice more directly in their area'* explains Amandine Albizzati.

The members are genuine stakeholders in the course of the la Nef's project evolution. They play close attention to all components of the

project and regularly intervene with the operational teams on multiple issues, such as the supporting borrowers, raising awareness about solidarity-based finance and the ethical evaluation of the projects financed.

La Nef also works closely with civil society organisations and movements that play close attention to the development of its project, such as Friends of the Earth, ATTAC, the Colibris movement, Oxfam Fair Finance – which recently audited the banks – and the Alternatiba movement.

How citizen savings are used: the projects financed

By relying on the funds collected from its savers, la Nef finances, through banking credit ranging from €15,000 to several million euros, the creation or development of occupational activities, enterprises and associations invested in the environmental, social and cultural sectors.

In the **environmental** field, la Nef mainly supports the financing of organic and biodynamic farming, and the organic distribution and processing, renewable energies and eco-housing sectors.

For example, it finances the creation or expansion of Biocoop stores, organic restaurants favouring short circuits, waste collection, management and recycling companies, hydroelectric power stations, the installation of photovoltaic plants and stores selling unpackaged groceries.

'Over the years, the proportion of financing directed towards ecology has increased, at the request of la Nef's members' says Amandine Albizzati. In 2016 alone, 76% of loans released (in amounts) were directed towards this theme.

The **social** sector covers a range of activities: social housing, integration through work, equipment for local authorities, rural tourism fair trade and health.

In the field of social innovation, there are projects such as the creation of eco-friendly micro nurseries,

an integration *boulangerie* and a cooperative for disability-friendly transport.

The field of social integration was present since la Nef's inception, with some founding members having a background in this sector.

Finally, the third sector financed is that of **culture**, with activities as diverse as education, cultural projects, the arts, teaching and training.

These include, for example, the financing of 'third places', Montessori and alternative schools or theatres. These represent 6% of the total loans released in 2016. Although the cultural sector is a marginal part of financing activity, it is no less important to la Nef, as Amandine Albizzati explains: *'Culture is an important driver of social change. Art is, for example, a driver of creativity and innovation. Education is also very important to us. This part of financing may be symbolic, but it is very important to us.'*

The list of all of the projects financed is published every year, specifying the name, activity and contact details of the organisation, and the purpose, cost and duration of the loan.

La Nef has developed its own loan-granting methodology in line with its values. For la Nef, the project leaders' strategy plays a decisive role.

La Nef's ethics committee has established very open guidelines for financing innovation. This is also reflected in the financing of a significant number of start-up companies.

While some criteria cannot be objectified, they are no less essential for 'professional advisers': why has the project leader chosen to ask la Nef? What is their intention? Etc. Particular care is taken in dealing with people to ensure that the relationship between the financier and the financed person is as transparent as possible.

Employees of la Nef also receive training in analysing practices and also in interpersonal communication, on how to communicate between employees, borrowers, members and the various stakeholders.

The road to ethical banking

By creating a financial company in 1988, subsequently accredited as a 'solidarity-based enterprise' then 'ESUS', la Nef was required by law to be backed by a bank. They chose Crédit Coopératif for this reason, recalls Amandine Albizzati: *'it was above all a story of humanity and trust between the founders of la Nef and the president of Crédit Coopératif. This choice was logical for us, given their position on SSE funding. They were the natural partner. They immediately welcomed our project.'*

Shortly after the creation of the financial company, la Nef's members expressed the wish to have a current account and a savings book account. Since la Nef was not accredited for selling this type of service, it then decided to boost its partnership with Crédit Coopératif by retaining it to distribute its range of products. This is how the Nef '*compte chèque*' (current account) and the Nef savings book account (livret B) came to exist. La Nef had a drawing right of 75% and 90% respectively on the sums collected, the remainder was used to ensure the products' liquidity.

'At the start of the project, synergies with our banking partner were very strong. There were account managers from la Nef at Crédit Coopératif branches' recalls Amandine Albizzati. *'It was through la Nef that Crédit Coopératif opened up to individuals. At that time, with a few exceptions, it was a bank focused solely on legal entities. Nef's 'comptes chèques' were the first to be sold to private individuals.'*

Subsequently, la Nef never gave up on its plan of creating an ethical bank. Because la Nef was unable to find the means in France to bring its plan to fruition, against the backdrop of the Bank of France's prudential policy, it then turned to ethical European banks. It attempted to create an ethical European bank with Banca Etica in Italy, and Fiare in Spain. The project did not get off the ground and was abandoned in 2010, as Amandine Albizzati recalls: *'the financial crisis of 2008 weakened Banca Etica. Moreover, their president had come to the end of his term of office, and their board of directors had been mostly replaced. Doubt had been cast on the initial timetable. La Nef then re-examined other potential paths towards obtaining its banking status.'*

While other avenues were explored with other European counterparts, la Nef seized the opportunity that presented itself with the harmonisation of European banking rules. Because la Nef was a depository of funds collected from the general public, it has been described as a specialist credit institution, enabling it to claim fully-service banking activity. The Prudential Supervisory and Resolution Authority (ACPR) at the Bank of France approved the conversion of la Nef into a banking institution, on the condition that each new service was approved. La Nef then made an application for business current accounts and bank savings book accounts. This was accepted in April 2015, enabling it to officially become a bank.

Over the coming years, la Nef hopes to continue its growth. It aims to double its loan portfolio in three years. In addition to citizen savings, it also aims to collect funds from certain institutional investors, to increase its credit financing capacity.

2. Shared return savings

In 2015, the French people contributed approximately €4.5 billion to associations and foundations, according to the 20th edition of the study on French generosity, conducted by the 'Recherches et Solidarités' association.

While most of these sums are paid using traditional means (manual donations, cheques, bank transfers etc.), other forms of alternative collection have emerged, often thanks to the development of new technological tools. More and more French people donate to associations via crowdfunding platforms, via SMS, via a salary round-up scheme or via their bills.

Among these alternative channels for collecting donations, there is one which, still unknown to the general public, has proved to be effective and has been growing for more than 30 years: donations from banking and financial investments, known as shared return savings (*épargne de partage*). As at 31/12/2016, the total deposits amounted to around €1.2 billion, i.e. 12.1% of total solidarity savings deposits, making it possible to pay just over €5 million in donations to 113 beneficiaries last year.



Description

Shared return savings involve the subscriber transferring, in the form of a donation, all or part of their income, or the annual performance of their investment to beneficiary organisations.

Performance level

Sharing returns on a savings product can take different forms, depending on the nature of the investment. For example, it involves transferring a share of the dividends to a CIU (collective investment undertaking), or the interest generated by the sums deposited and capitalised in the case of a savings book or term deposit. The proportion that will be shared by the subscribers must be equivalent to at least 25% of the annual income from the investment

to qualify as solidarity-based, according to the Finansol label regulations (see page 15).

The majority of funds are shared equitably, '50-50', as regards the proportion paid to the beneficiaries and the proportion retained by the subscriber. In this respect, savings book accounts differ from CIUs, in that the different levels of sharing are often left to the savers' choice, in tranches of 25%.

Taxation

French taxpayers benefit from gift aid on shared return investments. Investors can therefore deduct 66% of the amount given from their income tax (for public bodies or organisations of recognised public utility), 75% (for organisations providing free aid to people experiencing difficulty), within the limitations of the amounts set by law.

In addition to this mechanism, in 2007, Finansol obtained, through its advocacy actions, a reduction in the rate of withholding tax (*prélèvement fiscal libérateur* – PFL) applicable to financial income for shared return investments, on the proportion

allocated to associations (Article IIIa - 10 of Article 125 A of the General Tax Code).

These favourable tax rules allow investors to offset almost all of the financial loss they agree to make on the proportion allocated to associations. Taxation on shared return products is a major commercial asset for financial institutions, in addition to the social and/or environmental utility of the projects supported.

Beneficiaries

Donation regulations specify the types of beneficiaries who can receive donations and issue tax receipts. They must meet three conditions: be non-profit-making, have a social purpose and a non-remunerated board, and not operate for the benefit of a limited circle of people.

In the case of solidarity savings, the main beneficiaries are associations and foundations recognised as being of public utility. This is why, for the sake of simplicity in this document, we will

only refer to associations where we refer to all beneficiaries of shared return savings.

The beneficiaries of shared return savings are active in a very wide range of fields, such as humanitarian emergencies, development aid, environmental protection, low-cost social housing, assistance to employment, culture, education and fulfilment of human rights.

Historical context

The first solidarity-based banking investment, created in 1983 by Crédit Coopératif and Comité Catholique contre la Faim et pour le Développement (Catholic committee against hunger and for development - CCFD), is a shared return mutual investment fund (FCP): *'Faim et Développement'* (Hunger and Development).

Unlike many savings mechanisms, this investment was not created from scratch on the basis of market research, competitive intelligence or consumer testing. This financial innovation has its origins in contemporary history, during the Cold War, in August 1980, when the Polish trade union Solidarnosc, a popular movement opposing the then communist regime, was set up.

At that time, CCFD, the first development NGO in France, sent humanitarian envoys to Poland. It also financed the clandestine training of Solidarnosc activists in France, with technical support from the 'Solidarité France Pologne' association, which supplied translators. This was how bonds of trust were forged between Karol Sachs, founder of the 'Solidarité France Pologne' association, and Jean-Paul Vigier, head of the mission for economic action at CCFD.

While sending foodstuffs was vital to the local population, Jean-Paul Vigier was aware that the Polish people needed to be supported in other ways, by helping them to *'manufacture what they lacked'*.

'This is what some of my counterparts in the Polish church asked me: to encourage independent economic activity', Jean-Paul Vigier recalls in his book *'Finances et solidarité'*. It was a matter of meeting three goals: *'Creating small businesses that met the immediate needs of the population in the grip of rationing, widening the scope of the private economy and, finally, giving work to people laid off for political reasons.'*

'The CCFD's traditional means of assistance could not meet these needs. It was necessary to create a commercial or financial organisation that could

intervene by benefiting from provisions favouring foreign investment in Poland: an investment company.'

In parallel to these reflections, and the action carried out in Poland, several women's church congregations informed the president of the CCFD about their need to create financial mechanisms that would enable them to invest their capital to support economic development in developing countries. They were willing to give up all or part of their income, but wanted to keep their capital intact.

They wanted to invest these sums, without any loss of purchasing power, to finance the nuns' future pensions (up to 2000). The protection of the capital was provided by FCP investments in monetary values (monetary funds). In other words, the congregations wanted to recover the capital invested by indexing it against inflation, which was then very high (annual rate of around 10%).

This project had other constraints. Jean-Paul Vigier explains *'it was impossible to lend capital to partners located far away and in high-risk transactions'*. In addition, *'Third World debt began to be a serious concern in the early 1980s for observers and development organisations. At the same time, the rise in the value of the dollar made loans agreed in this currency irrepayable.'* In summary, *'it was a question of reconciling the safeguarding of capital with encouraging investment'*.

Jean-Paul Vigier asked several financial institutions to help the congregations' project succeed. He explains that *'several French banks [...] expressed serious doubts about the possibility of raising 'activist' capital, and the existence of investors 'irresponsible' enough to make interest-free investments'*. He then received a large number of rejections from the banks.

The links established between Karol Sachs and Jean-Paul Vigier were to prove decisive. Since September 1982, Karol Sachs has been in charge of relationships with associations at Crédit Coopératif. He rose to the challenge.

To solve this equation, he worked on the principle *'that you always have to start from the need. In this case, financing developing countries by guaranteeing the capital and purchasing power of religious congregations'*.

With the help of Crédit Coopératif's legal department, he decided to create an FCP, because it is *'more easily achievable than a SICAV. In 1983, a minimum capital of 50 million francs was needed to create a SICAV, but just 2 million francs for an FCP'*.

Karol Sachs was able to create a shared return FCP precisely because he had not mastered the subtleties of the financial mechanism: *'I didn't place barriers in my way, I didn't set limits on my imagination'*.

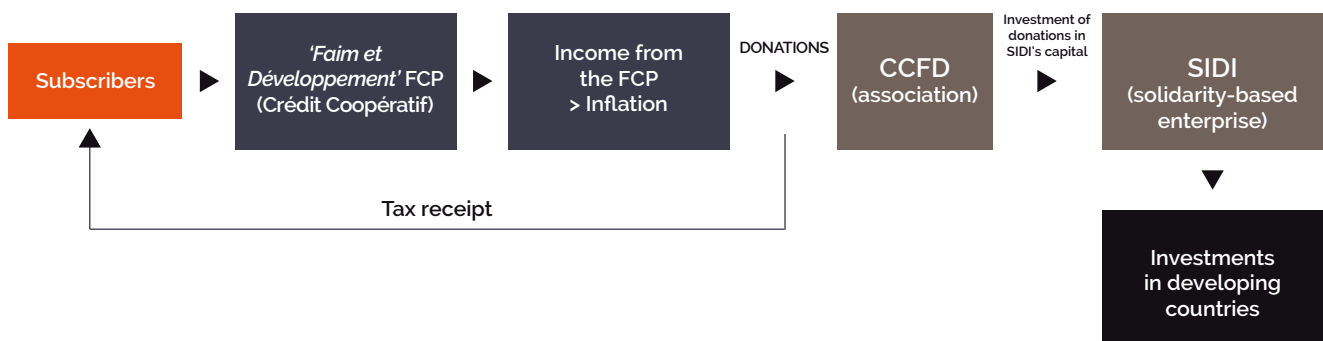
In addition to the financial mechanism, an investment company was founded: SIDI (*Solidarité Internationale pour le Développement et l'Investissement*/ International solidarity for development and investment). Established by Jean-Paul Vigier on 28 February 1983, it is a subsidiary of CCFD, whose purpose is to *'finance enterprises in the Third World and in Poland'*. This would be the mechanism used to support the creation of economic activities in developing countries.

The initial shared return mechanism and how it has evolved

Karol Sachs had the following idea: *'The fund's subscribers share in the product's financial results above inflation, based on the INSEE index. This allows subscribers to avoid losing their purchasing power. This transfer of results takes place in the form of a donation, enabling individuals to deduct it from their income tax'*. The donations made to CCFD will then be passed on in full to SIDI. It was these donations

that would initially make up SIDI's capital. The risk of default thus rested mainly with SIDI, which alone makes the investments in developing countries. This cannot therefore have any impact on the FCP's financial results.

The initial shared return mechanism of the 'Faim et Développement' FCP



Source: Finansol

The initial shared return mechanism on the 'Faim et Développement' FCP consisted of transferring, each year, the entire results above the inflation rate. For example, at the end of the first financial year (September 1985), the fund's annual performance was 14%, and the inflation rate was 8%. The remaining 6% was therefore donated to the CCFD.

This shared return mode came into its own in the 1980^s, when financial investments invested in fixed income products achieved strong performance. However, when the French government succeeded, after what was called the '1983 turning point', in controlling inflation and lowering interest rates, the initial shared return mechanism proved less effective in generating satisfactory funds.

This is why, in the early 1990^s, the shared return mechanism of the 'Faim et Développement' FCP

evolved towards its current form, i.e. an equitable sharing of annual income from the fund between the subscribers and the beneficiary.

With regards to the FCP, the assets were invested in interest rate derivatives, and more specifically *'in variable-rate government loans with secondary fixed-rate bonds issued by public or social organisations'* says Jean-Paul Vigier.

Karol Sachs ensured that the model implemented was financially profitable: *'Financial innovation that disregards profitability, that loses money over 10 years, 20 years, is anything but innovative. For any innovation to be sustainable, it must be profitable.'*

Obstacles

The creation of the 'Faim et Développement' FCP generated very strong internal opposition within Crédit Coopératif. Karol Sachs remembers that *'in the midst of the controversy over free schools, some thought that nothing should be done with the Catholic congregations. Others did not understand that we were seeking to collect funds from individuals, since Crédit Coopératif was only a legal entities' bank (see page 45 opposite – A considerable success).'*

Karol Sachs emphasised the open-mindedness and conviction shown by the president of Crédit Coopératif and senior management to have SIDI accepted as a commercial company with 'societe anonyme' (limited company) status. *'It was unnatural for a bank like Crédit Coopératif, which historically emanates from the federation of SCOP^s (cooperative and participative society), for SIDI not to be a cooperative. In the former communist count, there were no cooperatives, because there was the state. It was also feared that the heads of the cooperative would be appointed by the state!'*

Technical obstacles (IT, HR) were also added to these challenges, which had to be overcome to manage the fund's rapid growth. The management of donations for the first financial year was complex, as *'CCFD was not computerised and ended its financial year on 30 September, since operations had to be finalised before that date...'* adds Karol Sachs.

To collect funds from individuals, Crédit Coopératif offered to distribute the FCP to other banking institutions. All refused, because the shared return mechanism involved sharing their customer records. Crédit Coopératif had to establish a distance selling system.

Promotion of the fund

CCFD wanted to be at the forefront of marketing the FCP. *'To preserve the strategy's originality, and avoid it seeming to be a sales promotion for Crédit Coopératif, since the product was new, it was decided that the advertising of the FCP would primarily be led by CCFD'*, says Jean-Paul Vigier. CCFD drew heavily on its network through various channels, such as its 'Faim et Développement' journal.

Several press conferences were organised in six cities, all intentionally located in provincial areas.

A considerable success

The fund was an immediate success. While religious congregations were primarily targeted, it was, in reality, individuals who would make the investment a success. Karol Sachs recalls that *'the congregations invested money in the fund but what really gave it a boost was individuals. Many executives from the CGC sphere, from the CFTC, as well as members from the Christian Employers' Federation (CFPC), which was powerful at the time, subscribed. Christian employers saw huge value in an NGO taking an initiative with economic leverage.'*

The key to the fund's commercial success lies in the partnership between the bank and the association. Karol Sachs summarises the position of Crédit Coopératif like this: *'We are not sponsors or patrons, but partners'*. The quality of the partnership between the financial institution and the partner is a key

Karol Sachs set up this scheme based on the experience acquired at the Solidarnosc department: *'To engage the national press, we had to first engage the regional press. If the regional press could be engaged, the national press would begin to become interested in what was happening in the regions.'*

factor in the success of a shared return investment (see page 51).

The initial goal of 8 million francs of deposits would be achieved very quickly, in barely one and a half months. The 40 million francs mark was then soon crossed. Given the success of the fund, CCFD and Crédit Coopératif would, from 1984, incorporate four new beneficiaries, all development NGO^s: the French committee against Hunger, Cimade, Frères des Hommes and Terre des Hommes.

It was the unexpected commercial success of the 'Faim et Développement' FCP that would give this innovation recognition, remove any doubts about it, allow it to expand in multiple forms and generate other innovations.



A shared return funds offer that became a 'mixed' funds offer

After the launch of the 'Faim et Développement' FCP, Crédit Coopératif soon created the 'Epargne Solidaire' (solidarity savings) FCP in 1987, invested in interest rate derivatives (bond and money market securities). It then introduced a new sharing mechanism based on annual performance.

A few years later, Crédit Mutuel, Crédit Agricole and LCL networks in turn set up shared return funds for the benefit of large associations, pioneers in solidarity-based finance, such as France Active, Habitat et Humanisme and CCFD-Terre Solidaire. These CIUs had the same management profiles as the funds of Ecofi Investissements, Crédit Coopératif's management company, with the difference that only one association was the beneficiary of the sharing of each fund.

In the 2000^s, other financial institutions created shared return CIUs in partnership with large organisations: Meeschaert with CCFD-Terre Solidaire, La Banque Postale AM with FIDH and Ofi AM with Fondation de l'Avenir.

In 2005, Crédit Coopératif continued to innovate, by creating shared return shares on its solidarity-based funds, enabling subscribers to combine the two solidarity mechanisms in the same investment: the shared return and the solidarity investment. The first investment was the share in the 'Choix Solidaire' SICAV (unit trust), 'Crédit Coopératif Agir UNICEF', which invests 5 to 10% of its assets in solidarity-based securities (see page 60) while paying 50% of its income to UNICEF. These CIUs are called 'mixed' funds by Finansol because of their dual solidarity mechanism, within the meaning of the label's regulations.

Ecofi Investissements has extended this dual solidarity mechanism by creating new shares attached to the 'Choix Solidaire' SICAV and the 'Confiance Solidaire' FCP, for the benefit of other associations. In addition, in order to give fresh commercial impetus to its first shared return investments, it developed them into 'mixed' funds, such as the 'Epargne Solidaire' FCP.

In 2011, Amundi also transformed all of its shared return funds, created in the early 1990^s (Crédit Agricole and LCL networks), into 'mixed' funds. These are now shares in the 'Solidarité' FCP.

Finansol-labelled shared return CIUs

1997	'Faim et Développement' FCP (Crédit Coopératif / Ecofi Investissements)
1997	'Epargne Solidaire' FCP (Crédit Coopératif / Ecofi Investissements)
1997	'CM-CIC France Emploi' FCP (Crédit Mutuel and CIC / CM-CIC AM)
1997	Share in the 'Solidarité' - Habitat et Humanisme FCP (LCL/Amundi)
1992	Share in the 'Solidarité' - CCFD-Terre Solidaire FCP (LCL/Amundi)
2000	Share in the 'Solidarité' - CA Habitat et Humanisme FCP (Crédit Agricole / Amundi)
2000	Share in the 'Solidarité' - CA contre la faim FCP (Crédit Agricole / Amundi)
2000	'Faim et Développement Equilibre' FCP (Crédit Coopératif / Ecofi Investissements)
2000	'Faim et Développement Equilibre' FCP (Crédit Coopératif / Ecofi Investissements)
2005	'Ethique et Partage' FCP- CCFD' - (Meeschaert)
2005	Share in the 'Choix Solidaire' SICAV - Crédit Coopératif Agir UNICEF (Crédit Coopératif / Ecofi Investissements)
2006	'Libertés et Solidarité' SICAV - (La Banque Postale / La Banque Postale AM)
2008	Share in the 'Confiance Solidaire' FCP - Faim et Développement Agir CCFD (Crédit Coopératif / Ecofi Investissements)
2008	'Agir avec la Fondation Abbé Pierre' FCP (Crédit Coopératif / Ecofi Investissements)
2009	'Avenir Partage ISR' FCP (French Mutual Bank / Ofi AM)
2013	Share in the 'Solidarité' FCP - Initiatis Santé (Crédit Agricole / Amundi)

■ Mixed funds

Source: Finansol

Bank savings book accounts, investment of shared return savings for the general public

After having invented shared return FCPs in the 1980^s, Crédit Coopératif, the bank for social economy enterprises, diversified its activities by developing a range of savings products for individuals in the 1990^s. It was then a natural choice to develop solidarity investments. *'Solidarity savings enabled Crédit Coopératif to mark itself out from competing networks while offering investments linked to its values'*, recalls Guy Courtois, former director of private individuals at Crédit Coopératif, and member of the Finansol label Committee.

Crédit Coopératif chose to sell a tax-exempt savings book account: *'They have always been one of the French people's preferred investments because they combine the security of the capital and interest accrued, advantageous taxation as well as a very high degree of flexibility in their daily management'* notes Guy Courtois.

Until 2009, however, French banks, with the exception of Caisses d'Épargne and La Banque Postale, could not distribute Livret A savings book accounts. They could only sell the other regulated savings book, accessible to all savers: the Codevi (renamed *Livret de développement durable* (sustainable development savings book) in October 2006 and *Livret de développement durable et solidaire* (sustainable development and solidarity savings book) in December 2016).

This is why, in 1996, Crédit Coopératif launched a shared return Codevi (industrial development account) called 'Codesol'. It was the first shared return savings book in France. Guy Courtois adds that *'in addition to the shared return, part of the account's deposits were also directed towards financing disability-friendly employers and SMEs, which have always been activities financed by Crédit Coopératif'*.

For 10 years, Crédit Coopératif was the only bank to offer shared return savings book accounts in France, gradually expanding its offer. It launched the 'Jeune Agir' savings book accounts (in 2000) and 'Agir' (in 2003), both intended for individuals, then the 'Solidaire Associations' savings book account for legal entities (in 2005). Finally, in 2009, when legislation authorised it to do so, Crédit Coopératif offered a shared return 'Livret A' account with beneficiary associations working in the field of housing (Habitat et Humanisme and Voûte Nubienne). The expansion of its range of shared return savings book accounts was accompanied by a significant increase in the number of beneficiary associations and therefore in the issues supported.

Since the creation of shared return savings in 1983, Crédit Coopératif has, year after year, remained leader in this solidarity savings segment, thanks in particular to the commercial success of the Agir savings book account. At the end of 2016, this investment alone accounted for 46% of total shared return savings deposits, and 40% of all donations to associations.

Since 2006, Crédit Mutuel Group has sold several shared savings book accounts, created by its various entities, each with distinct characteristics, in

particular as regards the choice of beneficiaries and how the account is remunerated.

In 2009, MAIF launched its first solidarity investment, opting for a 'Livret Epargne autrement' shared return savings book account. From the outset, MAIF marked itself out from other institutions by offering several innovations. It immediately supported new associations ('Les doigts qui rêvent', AFEV) in the field of access to education for all, central to the mutual's mission. In addition, it annually measures the impact of the donations collected, in terms of achievements, and then reports this to its savers.

When the mutual then made the choice, in 2013, to offer only solidarity-based banking investments to its customers, it added to its shared return savings offer with the 'Livret A' and 'LDD autrement' (sustainable development) accounts. In 2014, it created an endowment fund that managed all donations so that the amounts were equitably distributed among the various beneficiaries, without creating competition between them. Finally, in addition to the mandatory shared return on annual interest, savers had the option of transferring 1% of their payments to this endowment fund.

Finansol-labelled shared return savings book accounts

1996	Livret de développement durable et solidaire (Crédit Coopératif)
2000	Livret Jeune Agir (Crédit Coopératif)
2003	Livret Agir (Crédit Coopératif)
2005	Livret Solidaire Associations (Crédit Coopératif)
2006	Livret d'Epargne pour les Autres (Groupe Adhérents à la Caisse Fédérale du Crédit Mutuel)
2009	Livret A comme Agir (Crédit Coopératif)
2009	Livret Solidaire (Crédit Mutuel Arkea)
2009	Livret Epargne autrement (MAIF / Socram Banque)
2010	Livret d'Epargne pour les Autres (CIC)
2014	Livret A autrement (MAIF / Socram Banque)
2014	LDD autrement (MAIF / Socram Banque)
2017	Livret Solidaire Macif (Macif / Socram Banque)

Source: Finansol

Solidarity-based banking options: a new tool for sharing interest through savings book accounts

In 2010, Société Générale launched the *Service d'Épargne Solidaire* (solidarity savings service). This is a free shared return option, which can be attached to one of the six savings book accounts selected by the bank (Livret A, LDDS, Livret BFM, etc.). The saver chooses to share 25, 50, 75 or 100% of their annual interest with 1 to 3 of the bank's 38 chosen partner associations. The institution supplements the donation made by the saver via a top-up contribution of 10% of the sums donated.

Société Générale has therefore not created a specific shared return investment but has proposed an interest-sharing option that can be offered in addition to its main savings book accounts. This makes it possible to potentially share larger sums than is possible with dedicated products, by relying on the very substantial savings stocks already built up on customers' preferred savings book accounts.

In September 2014, La Banque Postale also marketed an interest-sharing option on its three regulated savings book accounts (Livret A, LDDS and Livret d'Épargne Populaire), called the *'Service Intérêts Solidaires'* (solidarity-based interest service).

These two shared return options received the Finansol label in the 2nd half of 2015.

Savings book accounts have become the main vehicle for shared return on savings. At the end of 2016, their total deposits (including shared return options) represented 71.6% of the total shared return investments, and 65.1% of donations generated.

Other savings vehicles subsequently incorporated a shared return mechanism

While shared return savings mainly evolved via CIU^s and then bank savings book accounts, other vehicles have also incorporated a shared return mechanism, such as life insurance ('Entraid'Épargne Carac' policy in 2006, with part of the joining fee waived) or time deposits (la Nef, but on an optional basis).

Key figures

According to the estimate from the 'Recherches et Solidarités' association, the total donations paid by the French amounted to approximately €4.5 billion in 2015. In the same year, associations received **€5.3M** in donations via shared return savings. These sums therefore represent 0.12% of the total donations paid by the French.

While donations from shared return savings represent a small share of the donations received by associations, the amounts collected, in absolute terms, are substantial. From 1996 to 2016, **€83.2 million** in donations was paid to 138 associations. Over this period, annual donations from Finansol-labelled shared return investments ranged from €1.7 million (1999) to €7 million (2012).

The sums received by each association vary each year from a few euros to a little over one million euros (with some exceptions).

From 1983 to 2010, donations came mainly from solidarity-based funds, with the largest beneficiary being CCFD-Terre Solidaire. Since 2011, donations have mainly come from shared return savings book accounts, and the Habitat et Humanisme association has become the first association to receive donations, all vehicles combined.

Despite the fall in interest rates that has occurred since 2008, the total shared return savings deposits have continued to rise sharply. This reflects a deep aspiration of these savers. The unfavourable effect of the fall in interest rates on the sums paid out will be reversed when interest rates rise, and the full impact of this collection process will then be measured, including in periods of low interest rates.

| Key success factors

The intrinsic characteristics of shared return investments and the profits anticipated by their three stakeholders (the saver, the recipient of the donation and the financial institution managing the investment) are all factors conducive to their success. These stakeholders can all consider themselves winners with this investment.

The saver: has a fairly wide range of investments available, in terms of risk, availability of savings and expected financial performance. They make their savings meaningful by contributing to the financing of projects of social and/or environmental utility that they select. In addition, they benefit from an advantageous tax framework that allows them to almost entirely offset the financial loss from their donation.

The beneficiary: adds a new free source of income to their operating account that will enable them to ramp up their activities and be less dependent, in proportion to the amount of shared return savings, on other funds. This source of income also has the considerable advantage of being 'non-earmarked', leaving the association completely autonomous in how it is used, and thus able to cover operating expenses that would otherwise be difficult to finance.

The financial institution: can attract and retain new customers who have subscribed to this investment through the beneficiary. The spin-offs in terms of image are also positive, to varying degrees depending on the institutions, in a climate of distrust towards banks.

The success of a shared return investment, in terms of subscriptions, total deposits and donations generated, depends mainly on:

- the investment promotion policy implemented, which must be driven jointly and actively by the financial institution and the beneficiary ;
- the ability of the beneficiary to mobilise its network ;
- training of the financial institutions' sales force ;
- the commitment made by the financial institution's management to promoting these investments ;
- the quality of the information and education directed at subscribers ;
- obtaining the Finansol label, a guarantee of confidence for savers.



Since it was established, the Finansol label has outlined criteria dedicated to shared return investments. They were subsequently supplemented or even formalised on very specific points, which came under the case-law of the label's Committee.

First, on the **solidarity criterion**. In accordance with the label's regulations, at least 25% of the saving's performance must be donated to beneficiary associations.

This minimum solidarity ratio was set based on the thresholds adopted by the five existing shared return funds when the label was created in 1997. One of them required at least 25% of the CIU's income to be donated by savers, in addition to the sums also transferred to the beneficiary association by the management company (via part of the management fees and joining fees). This minimum level of solidarity was considered reasonable and satisfactory by Finansol. And no maximum repayment ceiling has been set, so as to give savers the possibility of transferring all of the income from the investment.

The label's regulations require that **the subscribers**, in this case individuals, **do the sharing**, since they can benefit in return from a tax receipt. The label's committee does not want banks, through their patronage budget, to alone bear the cost of solidarity, without commitment and contributions from savers themselves. This would be contrary to the spirit of civic engagement championed by the pioneers of solidarity-based finance and still present today among donors.

Furthermore, in order to give genuine credibility to solidarity-based savings on the one hand, and sustainable income to associations on the other, the Committee requires **the donation to be regular**. This means that the revenue-sharing must take place at least once a year and not from time to time, or only at the time of taking out the investment.

The Committee also requires that **the donation be mandatory** and not optional. It expects the solidarity effort to be a commitment for the subscriber, to generate regular income for the associations and to ensure that the solidarity-based nature of the investment is not overestimated for the sole purpose of being used for commercial and reputational purposes by banking networks.

In order to avoid any over-exploitation of the label for marketing and reputational purposes, and to ensure sustainable incomes for associations, the label's regulations have required, since 2012, a commercial commitment by the networks to promote all their Finansol-labelled investments (see page 15 – The Finansol label). The components of their commercial policy are provided every year to the Committee as part of the label's annual audit. This is assessed in the light of how various indicators evolve, taking into account the specific characteristics of each institution (size of the network, for example) and the economic and financial context (interest rate levels).

Since 2012, the Committee has also asked financial institutions to report annually on how they are monitoring and **auditing all beneficiaries** of their shared return investments, to avoid any risk of default by the various beneficiary organisations. This regulatory function allows savers to be more reassured about where their donations are going, and how they are being used.

Finally, the Finansol label regulations changed in 2015: their scope, which was limited since inception to solidarity-based savings products, was expanded to include **solidarity-based banking options** (see page 49).

Finansol's board of directors, in collaboration with the label's Committee, had previously commissioned Finansol's observatory to conduct an impact assessment on these new mechanisms, to measure their effectiveness and the commercial promotion efforts over time, a sign of the institutions' commitment to developing their solidarity-based

savings offer. The results having been conclusive, the Finansol association, in agreement with the label's Committee, decided that the shared return options could then be labelled.

The extension of the label's scope solidarity options reiterates a concern for openness, which has always been expressed by the label's Committee

and the association's board of directors, towards financial innovation. These extensions of scope have been implemented with care to ensure that these innovations are controlled and therefore respect specific criteria, all with a concern for equity with other investments already labelled.



Donations from shared return savings are an additional source of income for associations. This is often marginal but complementary to membership fees, manual donations or public subsidies.

For some of them, the sums received through shared return investments can constitute a core income, like the 'Terre et Humanisme' association. Donations from shared return investments of which it is a beneficiary, mainly Crédit Coopératif's 'Agir' savings book account, accounted for nearly 37% of its resources in 2016.

How donations from shared return savings are used varies from one association to another. They can be used to finance:

- the organisation's operating costs (salaries, rent etc.), the financing of which is becoming increasingly complicated for associations ;
- specific programmes, targeted initiatives such as the Abbé Pierre Foundation was able to carry out with the '2000 toits pour 2000 familles (2,000 roofs for 2,000 families)' campaign, supported by annual donations generated by the 'Agir avec la Fondation Abbé Pierre' FCP (Ecofi Investissements) ;
- support for solidarity financiers. For example, donations collected by CCFD-Terre Solidaire are then donated to SIDI, its solidarity financing vehicle, in order to assist with technical support to actors in the field.

This income is sometimes directed towards financing several missions of the association. One example is Réseau Cocagne, which brings

together around one hundred solidarity enterprises producing fruit and vegetable baskets from organic market gardening by people on employment integration schemes, and which are then sold in short distribution networks.

Réseau Cocagne, beneficiary of the Nef and Crédit Coopératif revenue-sharing investment scheme, received more than €202,000 in donations in 2016.

Sacha Korsek, head of fund development, explains how they are used: *'20% is allocated to innovation, research and development initiatives. This has enabled us to finance, in Savoie, a solidarity-based cannery that promotes de-classified fruit and vegetables, combating food waste. 20% is then used to support Jardins de Cocagne farms in vulnerable situations, such as those dealing with climate hazards. 20% is directed towards the training of permanent staff members. 60% of the 810 employees receive at least one training course during the year. Finally, 40% of these sums make it possible to finance new organisations throughout the region.'*

3. Solidarity-based funds

The majority of French savers remain averse to risk and, year after year, favour savings mechanisms that guarantee that they can retain the capital and interest, such as funds in euros from life insurance policies, bank savings books (Livret A, LDDS) or *Plan Epargne Logement*. At the end of 2016, they had invested just over 12% of their savings in financial investments considered to be high risk (CIU^s), for example by subscribing to units of account on multi-vehicle life insurance policies.

Employee savings are one of the channels for collecting financial savings. While they represent a marginal share of French people's savings (around 2.5%), with total deposits of €122.5 billion as at 31/12/2016 (source: AFG), they have become

the main method of collecting solidarity-based savings. They have continued to grow, thanks to the creation of solidarity funds in the early 2000^s and an incentivising legislative environment.

Solidarity funds thus offer savers the possibility of helping to finance activities of social and/or environmental utility, in addition, for example, to citizen savings and bank investments, with characteristics specific to France. The Finansol label has also helped to clarify the framework of this collection mechanism in the interest of savers.



Description

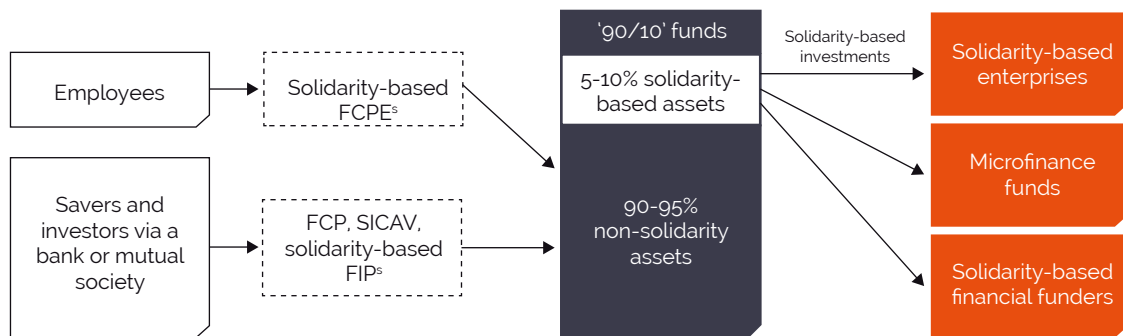
How '90/10' funds work

Solidarity funds, known as '90/10' funds, are collective investment undertakings (CIU^s), and more specifically enterprise mutual investment funds (FCPE) that invest between 5 and 10% of their assets in approved 'solidarity-based enterprises of social utility' (*entreprises solidaires d'utilité sociale* – ESUS) organisations. These investments are therefore regulated by the government, which in 2001 stipulated the management arrangements for these CIUs (solidarity levels) as well as the characteristics of the solidarity organisations benefiting from the funding (ESUS accreditation).

While legally speaking only solidarity-based FCPE^s are affected by these management arrangements, other financial investments have applied the same rules without, however, restricting their solidarity investments to ESUS-accredited organisations only.

The diagram below summarises how all solidarity-based funds work, from the types of subscribers to the beneficiaries of solidarity-based investments.

How '90/10' funds work



Source: Finansol

Beneficiaries of solidarity-based investments

Three categories of organisation benefit from investments from solidarity-based funds: solidarity-based enterprises, solidarity-based financial funders and microfinance funds (or microfinance institutions, as applicable). Because the latter are invested in non-French rights organisations, they are not ESUS-accredited.

Solidarity-based enterprises: these produce goods or services with a strong social and/or environmental utility. They are active in various fields and play a tangible role in resolving public issues: combating unemployment and poor housing, developing organic farming and renewable energies, expanding entrepreneurship in developing countries etc. Habitat et Humanisme, Chênelet, Bretagne Ateliers and Varappe are among France's best-known solidarity-based enterprises.

Solidarity-based financial funders: these are intermediaries whose core business consists of financing activities of high social and/or environmental utility, while offering support services to project leaders. These are organisations such as France Active, lés, Herrikoa, SIDI, Cocagne Investissement and Garrigue.

Microfinance Institutions (MFI^s): an MFI is a local entity (NGO, association, cooperative, etc.) that provides financial services to populations that do not have access to the conventional banking system (source: Babyloan).

Distribution channels

Designed and managed by asset management companies, '90/10' funds can be accessed:

- **via an employee savings scheme.** Solidarity funds are offered to employees, either within the framework of the PEE¹ (or PEI), or under the PERCO² (or PERCOI). Solidarity FCPE^s are only accessible to individuals ;
- **via a bank or a mutual insurance company.** Savers are natural or legal persons. Individuals can choose to invest all or part of their savings in a '90/10' fund through a securities account, a Personal Equity Plan (for CIU^s that have invested at least 75% in eligible securities), or a life insurance policy comprising units of account. These mechanisms are either FCP^s (mutual investment funds), SICAV^s (open end investment trusts) or FIP^s (local investment funds).

1. Company Savings Plan (*Plan Epargne Entreprise* – PEE) and Inter-company Savings Plan (*Plan Epargne Inter-entreprises* – PEI)

2. Collective Pensions Savings Plan (*Plan d'Epargne Retraite Collectif* – PERCO) and Collective Inter-company Pensions Savings Plan (*Plan d'Epargne Retraite Collectif Inter-entreprises* – PERCOI)

The 'Insertion Emplois' (labour market integration) FCP, the first '90/10' fund

More than 10 years after the creation of the first revenue-sharing fund (see page 42), the first CIU was created in 1994 to support the financing of solidarity activities: the 'Insertion Emplois' FCP, managed by Caisse des Dépôts (now renamed the 'Insertion Emplois Dynamique' FCP and managed by Mirova).

Patrick Savadoux, first manager of the 'Insertion Emplois' FCP at CDC Gestion (former asset management subsidiary of the Caisse des Dépôts Group) recalls how this fund, which in 2001 would serve as the basis for drafting the benchmark law on solidarity-based employee savings (see page 60), came into being.

In 1993, CFDT (French Democratic Confederation of Labour), then headed by Nicolas Notat, proposed to Philippe Lagayette, CEO of Caisse des Dépôts et Consignations (CDC), that they examine the feasibility of a financial product that would combine job creation through integration and management of a conventional portfolio.

The project was entrusted to Patrick Savadoux, fund manager at CDC Gestion. He remembers that with his teams *'we were practically starting from scratch. We weren't sure we could manage unlisted securities in an FCP. There was, however, a precedent at CDC with the 'Nord Sud Développement' SICAV, which invested part of its assets in MFI⁵ abroad. We only knew that we could invest in other types of organisations.'*

To provide technical support to organisations responsible for job creation through integration initiatives, CDC Gestion's teams found a regulatory solution: the *'ratio dérogatoire'* (exemption ratio) (sometimes pejoratively called 'waste bin ratio'). This allows up to 10% of the fund's assets to be invested in products of any kind, such as unlisted securities or currencies.

It is on the basis of this regulatory provision that the fund was able to invest in underlying assets selected by France Active, which had recently been created with the support of CDC. While the fund can invest up to 10% in unlisted securities, there is no minimum threshold. *'Initially, only 1% of assets were*

used to finance solidarity-based activities. All of the management committees saw this as insufficient in relation to the CFDT's initial request. We had to find a happy medium. That's how we set ourselves a target of 5 to 10%' says Patrick Savadoux¹.

The first solidarity investments were made in the form of equity investments in companies selected by France Active. Very quickly, the fund manager was faced with the difficulty of finding companies to finance. The SSE sector mainly consists of associations, which by definition do not have share capital.

Patrick Savadoux was therefore looking for other financing tools that are more flexible and better adapted to the specificities of SSE⁵. With the support of his legal department, he had the idea of issuing savings bonds and promissory notes, both of which were commercial instruments. While he began by issuing savings bonds, redeemable every year, he quickly changed his mind by opting for promissory notes, redeemable indefinitely, which are better suited to the needs of project leaders. Issuing promissory notes in a portfolio is a first: *'We studied the feasibility of including savings bonds and promissory notes in a portfolio with the COB (previous name of the AMF). It did not know what solidarity was but was open to our project and gave the green light. We were the first to introduce promissory notes into a fund.'*

For the listed portion of the fund (at least 90% of total assets), no specific instructions have been given. The fund manager opts for a diversified CIU combining equities and 'conventional' bond securities. Out of personal conviction, Patrick Savadoux soon hoped that there could be overall coherence of the fund between the solidarity and non-solidarity sub-funds: *'The task was more complicated at the time. We weren't talking about SRI yet, we were talking about ethics. Rating agencies did not exist for this area; I had no basis I could rely on.'*

1. The 2006 'Fineurosol' study, which will be discussed below (see page 86), states, with regard to the solidarity criterion of the investment (see page 56), and on which several European organisations have agreed, that 'investment funds must invest at a percentage of at least 5% in companies engaged in social and solidarity economy activities'. And this minimum percentage is justified by the fact that 'a European directive requires SICAVs to invest at least 90% of their assets in companies listed on the stock exchange. Given that funds always invest part of the total assets in monetary values, a threshold of 10% to be invested in the social economy is difficult to achieve.'

He chose to invest 100% of the non-solidarity assets of the FCP in French stock, with a filter on the field of job creation. *'I invested in French stock that had a positive and progressive employment policy. I had to meet companies in which I had invested or was going to invest, to ask them about their social policy'*, he continues. Thus, one year after its creation, the 'labour market integration' FCP became an equity fund, with the SBF 120 index as its investment universe².

When the fund was launched in 1994, 'Insertion Emplois' was mainly sold to institutional investors such as trade unions (CFDT), mutuals and pension funds. It was also offered in the context of employee savings schemes. The fund was then rapidly distributed within the Caisse d'Epargne network.

Patrick Savadoux, often accompanied by Edmond Maire, the former president of SIFA (Société Investissement France Active) investment company and former Secretary General of the CFDT, met tirelessly with numerous companies to promote

the fund: *'With Edmond Maire, we were the best salespeople for the fund!'*

They also succeeded in mobilising trade unions around this new tool by making them aware that finance is not necessarily harmful and can be used to drive up employment. The latter subsequently became fund influencers.

Patrick Savadoux weighs up the importance this project had for the development of solidarity-based finance: *'This fund was a test fund! We had to call ourselves the Caisse des Dépôts et Consignations to take up this challenge, to finance such an innovative tool, even if we lost a little money at the start. With the CDC Gestion teams, we were true pioneers of the concept and how the '90/10' funds came into being, including non-solidarity assets.'*

2. The SBF 120 (SBF stands for Société des Bourses Françaises) is a stock market index on the Paris stock exchange. It was determined from the prices of forty CAC 40 shares and eighty securities from the first and second most liquid markets listed in Paris, among the top 200 French stock market capitalisations.

The 2001 regulations

The fund's stakeholders, led by CDC and France Active, carried out advocacy with the public authorities for the standardisation and growth of solidarity funds.

Patrick Savadoux remembers Edmond Maire's decisive role: *'He opened several doors for us. We met several times with the Ministry of Finance to explain how we had structured the 'Insertion Emplois' FCP. We answered all the questions on investment ratios, promissory notes, the risk incurred, etc. The FCP was used as a parameter for the law on solidarity-based employee savings. We had the support of Guy Hascoët, Secretary of State for the Solidarity Economy and his team, including François Marty, current director of Chênelet. In 2001, Lionel Jospin's government was very receptive to our cause, because it had a strong political impact, embodied by a charismatic personality like Edmond Maire.'*

On 19 February 2001, as part of a reform of company saving schemes, Fabius Law No 2001-152 defined the concept of solidarity fund and all its components.

To be eligible for financing via solidarity FCPE^s, each beneficiary organisation must apply to the *Préfecture* for accreditation as a 'solidarity-based enterprise' and comply with the following criteria:

- **either** employ at least one third of people under subsidised contracts or currently on an integration into employment scheme ;
- **or**, for enterprises holding one of the four statutes of the Social and Solidarity Economy (SSE), adhere to certain rules for the remuneration of managers and employees ;
- **or**, for commercial law enterprises, adhere to the

same remuneration scale as companies with SSE status, as well as democratic governance rules. Furthermore, the capital of the solidarity-based enterprises concerned could not be listed on a regulated market ;

- **or**, for investment funds, invest at least 35% of their assets in accredited solidarity-based enterprises; and thus be equivalent to solidarity-based enterprises.

The 'solidarity-based enterprise' accreditation was created to encourage and promote the development of solidarity-based employee savings via the PPESV (voluntary employee savings partnership plan), the predecessor of PERCO (collective pensions savings plan), with the obligation to offer a solidarity-based fund in this scheme.

The Fabius law also set a minimum ratio of solidarity-based assets of 5%, while maintaining the maximum at 10%. This 'ceiling' made it possible, for example, to meet the constraints of European legislation, to limit the risk taken by employees on unlisted securities, and the liquidity risk inherent to unlisted securities.

It is this separation of assets between solidarity-based securities (a maximum of 10%) and non-solidarity securities (a minimum of 90%) that led to the funds being referred to as '90/10' funds.

Other regulatory developments

In 2003, the Fillon law on pensions created the PERCO (and PERCOI), replacing the PPESV, while maintaining the obligation to offer a solidarity-based fund within the investment offer. The Economic Modernisation Act (LME) of 4 August 2008 extended this obligation to all PEE^s (and PEI^s) from 1st January 2010.

The 2003 law has the virtue of raising fund managers' awareness of solidarity-based finance and encouraging most management companies to set up an initial fund offering. But it was the LME of 4 August 2008 that would have the most impact for solidarity-based finance players. Solidarity-based funds can 'have access' to the income of PEE^s whose total assets currently represent more than 85% of total employee savings deposits (source: AFG). Moreover, these measures, which only act as an incentive for savers, have the advantage of not burdening the state budget in any way.

The LME of 4 August 2008 owes much to the perseverance of Edmond Maire, who was the great architect of solidarity-based funds in France. He was able to convince political decision-makers to extend the obligation to all employee savings schemes.

Patrice Garnier remembers *'it was Edmond Maire's determination that paid off in extending the legislative obligation to PEEs. He was a real fighter who wouldn't give up. If a door closed, he'd come in through the window! It is also thanks to him that the law includes a component on equivalent solidarity organisations'*¹

Subsequently, in 2014, the government defined the scope of the SSE, taking into consideration its significance to the French economy (10% of GDP) and to extend it to certain 'social' enterprises. The law of the same name was adopted on 31 July 2014. It redefined the scope of solidarity-based finance beneficiaries, owing to a change to the accreditation, which is now called ESUS (solidarity-based enterprise of social utility).

This accreditation has been amended as follows:

- **it is now reserved for SSE enterprises:** in addition to those with one of the four SSE statutes (mutuals, cooperatives, associations or foundations), the SSE now includes commercial law companies that comply with management principles defined by law ;
- **the enterprise's activity is of social utility:** the enterprise carries on solidarity-based activity focused on vulnerable groups or regions, as well as environmental activities ;
- **the list of beneficiaries of a legal accreditation has, meanwhile, been significantly broadened:** in addition to the IAE (integration through economic activity), low-cost social housing, emergency aid or early childhood organisation are also legally accredited, as well as associations and foundations recognised as of public utility.

In view of the significance of solidarity-based savings to the financing of the social and solidarity economy, the new ESUS accreditation criteria have become much more restrictive for enterprises that are not legally accredited:

- **they must be an SSE enterprise** (social economy or commercial law status) adhering to the following principles: a purpose other than profit-sharing, participatory governance, majority of profits reinvested, mandatory non-distributable reserves and, in the event of liquidation, allocation of surplus assets to the SSE; finally, prohibition from amortising or reducing the capital unless this ensures continuity of activity (for commercial law enterprises) ;
- **they must be of social utility:** this means supporting people in vulnerable situations, helping to combat exclusion and contributing to citizen sustainable development, the energy transition and international solidarity ;
- they must prove that the burden generated by their **social utility objective has a significant**

impact on the company's financial results or their financial profitability ;

- **they must adhere to a remuneration scale ;**
- **they must be an unlisted company.**

1. In the LME of 4 August 2008, to be considered a solidarity company, at least 35% of a fund's assets had to be invested in accredited 'solidarity-based enterprise' organisations. The law of 31/07/2014 stipulates that the fund must now invest at least 35% of its assets in securities issued by SSE enterprises, including securities (at least five sevenths) issued by ESUS-accredited bodies. The role of solidarity financial funders has been strengthened.

Rapid development of the solidarity-based FCPE offer and numerous innovations

The range of solidarity-based employee savings funds was expanded, thanks to the legislative measures taken in the 2000⁵ by the government (see page 60), supported by several employee unions. The Fabius law of 19 February 2001 promoted the creation of several mechanisms, to respect the obligation to offer a solidarity-based fund in all PERCO⁵.

It was with the LME of 4 August 2008 that the number of solidarity-based FCPEs increased sharply. It almost doubled between 30/06/2009 and 30/06/2011, rising from 53 to 91 funds, according to data published by the AFG. Their number has since stabilised at around 100. Management companies active in employee savings management therefore have at least one multi-enterprise solidarity fund to offer their clients.

Several of them anticipated this obligation and even saw it as an opportunity.

By creating a solidarity-based asset management tool suited to the constraints of enterprises (see page 66), Natixis AM encouraged its main customers to transform their 'conventional' FCPEs into solidarity FCPEs in order to meet the new legislative requirements. This has been a great success with many enterprises, resulting in a faster increase in the number of solidarity funds and, indirectly, in the total solidarity investments and assets.

Amundi and BNP Paribas also seized on the legislative opportunity by developing a range of solidarity-based funds with different management profiles and by actively promoting them. They also manage several dedicated funds for some of their customers (for example, Danone for Amundi and Saur for BNP Paribas AM).

Other institutions differentiate the solidarity-based management of their funds. Humanis Gestion d'Actifs asset management designed, in addition to a range of 'conventional' solidarity funds, a range of

eight regional solidarity FCPE⁵. These funds offer the novelty of reinvesting the solidarity assets locally up to the sums collected in this same territory, via the regional funds of France Active.

Innovation in solidarity-based employee savings funds sometimes arises from a request from an enterprise that then seeks the support of a management company for financial engineering.

For example, the first solidarity investment vehicle, the 'Natixis Solidaire' fund, was created in 2006 thanks to Carrefour, to ensure the solidarity-based management of an FCPE with very large deposits. The creation of this mechanism was decisive for the development of solidarity-based employee savings and served as a model for other financial institutions for managing their solidarity assets (see page 66). In particular, it has made it possible to expand the range of fields, and therefore solidarity-based issuers.

Another example is Schneider Electric, an international group specialising in energy and automation management. Through employee savings mechanisms, the company wants its employees to be able to support solidarity-based projects related to the group's core business: access to electricity and renewable energy for everyone in the world.

This project initially ran up against a regulatory constraint, since ESUS-accredited organisations must be French. However, Schneider Electric wanted to support organisations located in developing countries. To comply with both the Schneider Electric project and with French regulations, the company created the 'Schneider Electric Energy Access' fund, composed on average of:

- 35% French solidarity enterprises working in labour market integration in the electricity sector, a percentage that makes it possible to comply with the minimum level of solidarity-

based securities required under French law (see page 61) ;

- 50% international companies meeting the social objective indicated above ;
- 15% interest rate derivatives, to ensure liquidity management.

solidarity-based vehicles, such as Renault, via the 'Mobiliz Invest' fund, whose income stems partly from the 'Renault Mobiliz Solidaire' FCPE.

This ESUS-accredited fund acts as a 'solidarity pocket' for the 'Schneider Energie' FCPE. Other companies have subsequently created similar

Finansol-labelled solidarity-based FCPE^s

2002	'MACIF Croissance Durable et Solidaire ES' FCPE (Ofi AM)
2003	'Amundi Label Equilibre Solidaire ESR' FCPE (Amundi)
2003	'ALM ES Diversifié Solidaire' FCPE (AG2R LA MONDIALE Gestion d'Actifs)
2007	'Carrefour Equilibre Solidaire' FCPE (Mirova)
2008	'Arcancia Actions Ethique et Solidaire' FCPE (S2G/Amundi)
2008	'Amplitude Dynamique Solidaire' FCPE (Humanis Gestion d'Actifs)
2008	'Humanis Actions Solidaire' FCPE (Humanis Gestion d'Actifs)
2008	'Humanis Diversifié Défensif Solidaire' FCPE (Humanis Gestion d'Actifs)
2008	'Multipar Solidaire Dynamique Socialement Responsable' FCPE (BNP Paribas AM)
2008	'Multipar Solidaire Oblig Socialement Responsable' FCPE (BNP Paribas AM)
2009	'Amundi Label Actions Solidaire ESR' FCPE (Amundi)
2009	'Humanis Grand Ouest Solidaire' FCPE (Humanis Gestion d'Actifs)
2009	'Humanis Taux Solidaire' FCPE (Humanis Gestion d'Actifs)
2009	'Décisiel Responsable Actions 70 Solidaire' FCPE (La Banque Postale AM)
2009	'Saur Epargne Solidaire ISR' FCPE (BNP Paribas AM)
2009	'Impact ISR Rendement Solidaire' FCPE (Mirova)
2009	'Impact Actions Emploi Solidaire' FCPE (Mirova)
2009	'Amundi Label Harmonie Solidaire ESR' FCPE (Amundi)
2010	'Humanis Nord Solidaire' FCPE (Humanis Gestion d'Actifs)
2010	'Languedoc Roussillon Expansion Solidaire' FCPE (Humanis Gestion d'Actifs)
2010	'Choix Responsable Engagement' FCPE (Ecofi Investissements)
2010	'Choix Responsable Prudence' FCPE (Ecofi Investissements)
2010	'Choix Responsable Développement' FCPE (Ecofi Investissements)
2011	'Schneider Energie' FCPE (Ecofi Investissements)
2013	'Cap ISR Mixte Solidaire' FCPE (Mirova)
2015	'Renault Mobiliz Solidaire' FCPE (Ecofi Investissements)
2016	'ALM ES SOLIDAIRE EURO' FCPE (AG2R LA MONDIALE Gestion d'Actifs)

Source: Finansol

The characteristics of solidarity-based FCPE^s: a benchmark for other solidarity-based financial investments

While the legislative provisions relating to solidarity-based funds only affected FCPE^s, management companies have chosen to apply the same rules of solidarity management (5 to 10% of solidarity-based securities) to other CIU^s (FCP, SICAV, FIP). In addition, since the Finansol label Committee adopted an identical solidarity criterion (minimum of 5% solidarity assets) to all '90/10' funds, this rule has in practice become the benchmark for all solidarity-based funds.

Several financial institutions, through their management companies, have thus developed or reorganised their range of '90/10' funds, distributed through their banking networks to individuals and/or legal entities (companies, associations, institutional investors, etc.).

As of 2008, the ownership of solidarity-based finance by management companies and/or the choice to make it a strategic development focus made it possible to extend the offer of solidarity funds in France's main banking networks, often with great commercial successes.

Natixis AM rolled out the 'Insertion Emplois' FCP by creating different management profiles and feeder funds for the Caisse d'Épargne and Banque Populaire networks. These funds all support SIFA, giving it more ways of financing its activities.

In addition to its range of shared return funds (see page 46), in 2003 Crédit Coopératif created several '90/10' funds, mainly invested in interest rate derivatives. The solidarity management of these funds, provided by Ecofi Investissements, stands out from that of other management companies. It has the following characteristics in particular: financing

of a large number of solidarity organisations, usually medium-sized, mainly identified by the Crédit Coopératif network, financed by debt instruments (mainly promissory notes) and on varied and innovative themes. This management method makes it possible to extend and diversify the actors benefiting from this type of financing.

Amundi has reviewed its global fund offering for the Crédit Agricole and LCL networks by transforming all of its shared return funds into 'mixed' funds, with mutualised solidarity management for all of its CIU^s, via the 'Finance et Solidarité' FCP (see page 66). This development has revitalised mature investments, while strengthening the solidarity of the funds and simultaneously supporting NGO^s through donations and the financing of solidarity organisations. Amundi's '90/10' fund range was again extended in 2012 to offer a wide choice of units of account to subscribers to Crédit Agricole's solidarity life insurance policy.

In August 2008, BNP Paribas converted an existing bond CIU into a solidarity-based fund by investing 5 to 10% of its assets in a European microfinance fund. This fund is one of the examples of funds that do not make their solidarity investments in ESUS-accredited organisations but in microfinance institutions, or directly in solidarity projects located abroad (see page 57). In 2014, BNP Paribas created a second solidarity-based fund for which all solidarity investments are made in ESUS-accredited organisations whose activities are based in France.

Finansol-labelled FCP^s and SICAV^s

1997	'Insertion Emplois Dynamique' FCP (Caisse d'Epargne / Mirova)
2002	'MACIF Croissance Durable et Solidaire' FCP (MACIF / Ofi AM)
2003	'Choix Solidaire' SICAV (Crédit Coopératif / Ecofi Investissements)
2006	'Insertion Emplois Equilibre' FCP (Caisse d'Epargne / Mirova)
2007	'Confiance Solidaire' FCP (Crédit Coopératif / Ecofi Investissements)
2008	'Ecureuil Bénéfices Emploi' FCP (Caisse d'Epargne / Mirova)
2008	'BNP Paribas Obli Responsable' FCP (BNP Paribas / BNP Paribas AM)
2009	'Insertion Emplois Modéré' FCP (Caisse d'Epargne / Mirova)
2009	'Ecofi Agir Développement Durable' FCP (Crédit Coopératif / Ecofi Investissements)
2010	'LBPAM Responsable Actions Solidaire' FCP (La Banque Postale / La Banque Postale AM)
2011	'Schneider Energie SICAV Solidaire' (Ecofi Investissements)
2011	'Solidarité' FCP (Crédit Agricole / Amundi)
2012	'Danone.Communities' SICAV (LCL / Amundi)
2012	'CPR Reflex Solidaire' FCP (Crédit Agricole / Amundi)
2013	'Amundi Protect Solidaire' FCP (Crédit Agricole / Amundi)
2014	'BNP Paribas Social Business France' FCP (BNP Paribas / BNP Paribas AM)
2016	'Fructi Emploi France' FCP (Banque Populaire / Mirova)

Source: Finansol

Today, each major banking network has at least one solidarity-based fund in its range of CIUs, whether through employee savings plans, shared return savings schemes or FCP^s and SICAV^s. In addition

to these funds, local investment funds (FIP), sold by MAIF, have also been available since 2014 (see page 74).

Innovative management of solidarity assets

While '90/10' funds alone constitute a major innovation for the development of solidarity-based finance, their creation has led to other innovations, in terms of products (see page 65) or in the management of solidarity assets via the creation of solidarity investment tools (solidarity-based FPS and FCPR^s).

Innovation in the management of solidarity assets was a determining factor in the scale up of '90/10' funds. The interview conducted by Finansol with Emmanuel Gautier, manager of the 'Natixis Solidaire' FPS, as part of its study on '90/10' funds, makes it possible to understand why Mirova created a solidarity-based venture capital mutual fund (FCPR), its characteristics and its impact on the sector's development (see insert below).

Interview with Emmanuel Gautier, 'Natixis Solidaire' FPS manager at Mirova

How was the 'Natixis Solidaire' venture capital fund born?

By 2005, the context was favourable to the development of solidarity-based finance and all the stars were aligned: a strong political and legislative signal (Fabius law on employee savings schemes), a real commercial opportunity and the Group's cooperative foundations.

The 'legislative signal' enabled us to raise the awareness of one of our customers who decided to convert an existing FCPE into a solidarity fund within the framework of their PERCO, with substantial assets.

What are the advantages of a solidarity-based investment vehicle compared with direct solidarity 'pocket' management, FCPE by FCPE?

The 'Natixis Solidaire' fund makes it possible to optimise the management of the various solidarity 'pockets' of FCPE^s by:

- supporting a very large number of solidarity-based financial funders and enterprises,
- better understanding the risks, which are thus spread among the various issuers,
- making it easier to manage the liquidity of unlisted securities,
- enabling each customer enterprise, whatever its size, to contribute to the financing of the various solidarity players.

For many customers, investing directly in a solidarity-based enterprise was too risky. Without the advantages of the FCPR, many enterprises would not have made the choice to transform an FCPE into a solidarity-based FCPE and to promote this dedicated offer to their employees. The enterprises would then have listed a multi-enterprise fund among the list of funds offered, without any particular promotion.

The increased accessibility of solidarity-based employee savings has made it possible to reach new solidarity savers, beyond the circle of activists, who have different expectations and profiles.

These new savers do not only look at the social and/or environmental utility of the projects supported, they also need to be reassured about how the product is managed (liquidity, risk etc.). 'Natixis Solidaire' provides them with these solutions: due to the fund's structure, they are reassured about the security of their investment and the many solidarity projects they support make them more loyal customers, in comparison with an ordinary FCPE.

The 'breakage' risk being lower and painless for savers, thanks to the pooling of risks enabled by the fund, this reassures them further about the stability of the solidarity-based enterprises and financial funders; the measurable impact of the social and/or environmental utility reinforces their confidence in solidarity-based finance and encourages them to continue their investments in solidarity FCPE^s, or even to increase them. This could be what's called a 'virtuous circle'.

Without the FCPR, Mirova's total solidarity-based FCPE assets would never have seen very strong growth. 'Natixis Solidaire' has therefore enabled us to increase the volume of our deposits very significantly. It enabled some twenty FCPE^s to be converted into solidarity-based funds and to win numerous calls for tender, thanks to this offer adapted to the various technical constraints.

Subsequently, applying the principle of centralisation of solidarity-based investments from the 'Natixis Solidaire' FCPR, Ecofi Investissements created the first specialist occupational fund, the 'Ecofi Contrat Solidaire' FCP. This legal form allows more flexibility than the FCPR in the management

of solidarity-based assets, with the possibility of arbitrage as it wishes, and without a minimum ratio, between equity and debt instruments. To date, the management companies that manage the largest solidarity-based fund assets have created solidarity-based FPS⁵.

Finansol-labelled FPS and FCPR⁵ 2006

2006	'Natixis Solidaire' FPS (Mirova)
2010	'Mandarine Capital Solidaire' FCPR (Mandarine Gestion)
2011	'Ecofi Contrat Solidaire' FCP (Ecofi Investissements)
2012	'Finance et Solidarité' FCP (Amundi)
2014	'Maif Impact Solidaire' FPS (Mirova)
2015	'BNP Paribas Social Business Impact France' FPS (BNP Paribas AM)

Source: Finansol

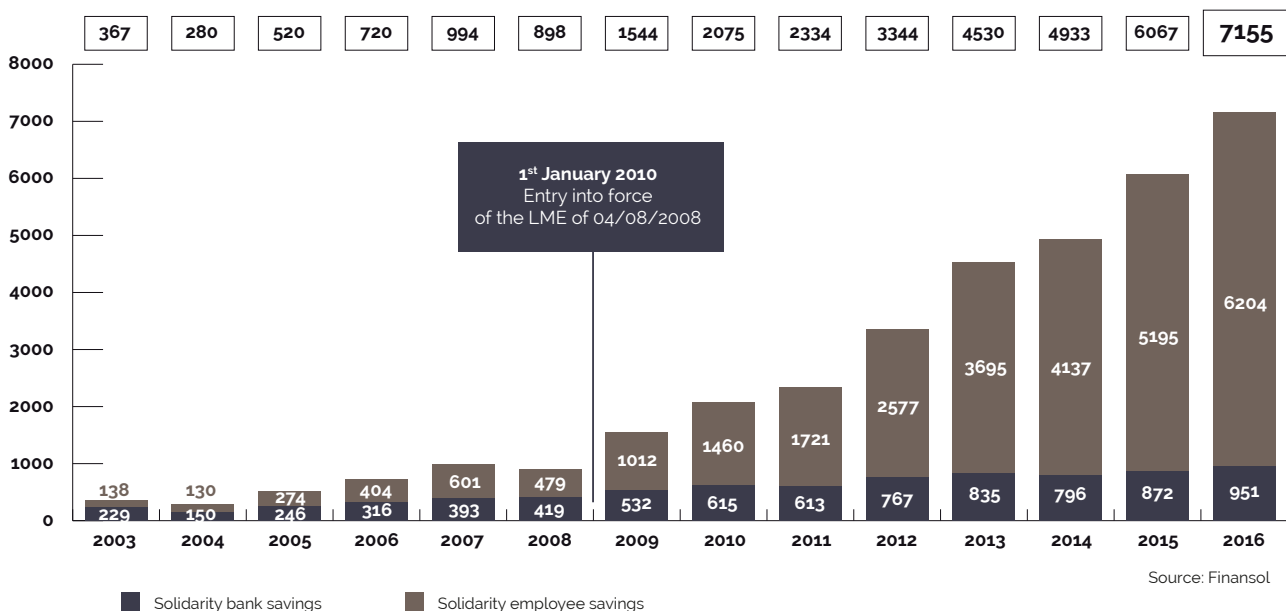
Key figures

Successive legislative provisions have had a considerable impact on the assets of solidarity funds and, consequently, on their volume of investments in solidarity-based enterprises and financial funders.

The data below are largely based on the results of the study carried out in 2016 by Finansol on 'solidarity-based funds'. The methodology applied for updating the indicators relating to solidarity investment savings is identical, and described in this document.

Since 1st January 2010, the date of entry into force of the LME of 4 August 2008, the total assets of solidarity-based FCPE^s has multiplied by 6.2 in seven years, from €1 billion to €6.2 billion. For all '90/10' funds, all vehicles combined, their assets totalled €7.2 billion at 31 December 2016 (compared with €1.5 billion at 31 December 2009). In the absence of equivalent incentives, the total '90/10' fund assets, excluding employee savings, would have grown less rapidly.

Evolution of '90/10' fund assets (as at 31/12, in millions of euros)

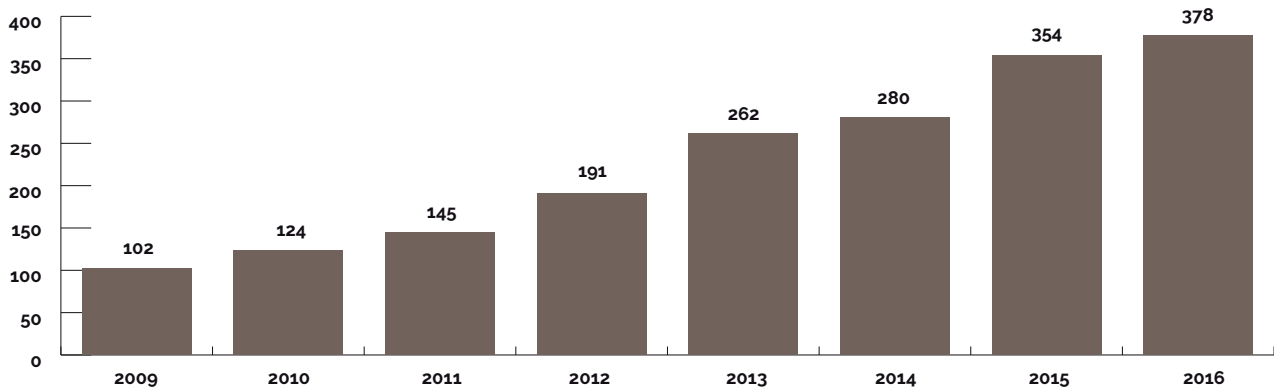


The '90/10' funds solidarity investments have, in an organic way, increased markedly in 7 years, having multiplied by 3.7 (compared with 4.6 for fund assets).

As was specified in the study on '90/10' funds, the gap between the growth of savings and that of solidarity investments is linked to the time gap between these two stages. The collection of savings

actually precedes the solidarity investments. Moreover, the calculation of solidarity investments does not take into account non-solidarity assets held in solidarity FPS^s and recorded in the statistics relating to savings collected by solidarity-based enterprises.

Evolution of solidarity-based investments stemming from '90/10' funds (as at 31/12, in millions of euros) ■



Source: Finansol

For regulatory and prudential reasons, the gradual wider availability of solidarity-based FPS^s has necessitated a diversification of solidarity-based investment lines. While the main beneficiaries (SIFA, Habitat et Humanisme, Adie, EHD) continue to pool the majority of solidarity investments (measured in amounts), more and more new issuers have access to this resource.

The average number of solidarity issuers held in each '90/10' fund has almost tripled in six years since the LME came into force, from 5.4 to 13.4 (from 4.3 to 12.7 for solidarity employee savings funds). Solidarity-based financial funders and players in the low-cost social housing sector are popular with fund managers. They receive two thirds of solidarity-based investments from '90/10' funds.

Key success factors

Several elements combined explain the impressive and continued success of the '90/10' funds.

Legislation governing the definition of solidarity-based enterprises and encouraging their financing via employee savings schemes

This is the major success factor. While civil society actors have initiated solidarity-based funds, the government has made it possible to define and standardise solidarity-based funds and to encourage their dissemination through a series of successive laws (Fabius law of 2001, Fillon law of 2003 and LME of 4 August 2008).

Without these various measures, solidarity-based funds would never have been able, given the French people's lack of appetite for high-risk financial products, as mentioned in the introduction to this chapter, to achieve such results in terms of inflows: for further proof, simply compare their evolution with that of the assets of other solidarity investments.

Characteristics of employee savings schemes

The vast majority of solidarity-based funds are distributed via employee savings schemes, which offer many strengths: advantageous taxation for employees and enterprises, and the possibility of additional financial contributions for employees (employer top-up contributions, profit-sharing, shareholding). The *Solidarity savers* study conducted by Finansol in 2014 also highlighted employees' confidence in these savings made within the framework of the company and with the support of the management and unions.

Technical characteristics of '90/10' funds

Management companies have been able to find innovative technical solutions enabling them to remove companies' concerns about the management of solidarity assets (risks, liquidity etc.). The responses provided have resulted in the conversion of many 'conventional' FCPE^s into solidarity-based FCPE^s, with significant assets, generating additional income for solidarity-based financial funders and enterprises.

Impact of the 2008 financial crisis on savers

The media impact of this crisis, and questions about the role of money and finance have prompted some savers to redirect their savings towards meaningful investments. For many financial institutions seeking to improve their image vis a vis their customers, the provisions of the LME of 4 August 2008 were an opportunity to be seized, by giving greater exposure to these investments, ultimately promoting their growth.



Soon after their creation solidarity-based funds have rapidly become the main mechanism for collecting solidarity-based savings in France. The Finansol label Committee has therefore always been, and

remains, careful to ensure that these financial investments are subject to the same requirements as other solidarity savings products.

Solidarity of solidarity-based funds: the 'dilution' criterion

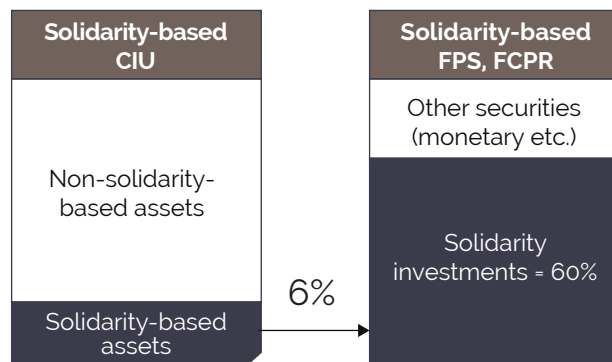
The label's Committee did not have great difficulty in determining the **level of solidarity** of solidarity-based funds, since this is fixed by law (between 5 and 10% of the CIU's total assets).

After the first labels had been awarded, the Committee merely confirmed that the minimum threshold of 5% of solidarity assets had been adhered to. Auditing this criterion is relatively simple, since all the funds' solidarity investments are made directly by the fund managers.

The situation changed in 2006 when the first solidarity-based FCPR was created, a financial vehicle bringing together all the solidarity

investments of the same management company (see characteristics of solidarity-based FPS^s, page 66). These funds are not entirely made up of solidarity securities. A proportion, variable depending on the CIU^s, is invested in monetary securities to guarantee the liquidity of the fund.

For example, a CIU that would invest 6% of its assets in a solidarity-based FPS would be required by the *Autorité des Marchés Financiers* (French financial markets authority – AMF) to have between 5% and 10% solidarity assets. However, if the solidarity-based FPS only consisted of 60% solidarity assets, the actual solidarity share would be less than 5%, as shown in the diagram below.



Actual Solidarity Rate = **3,60%** (6% x 60%)

Out of respect for the initial commitment made to employees, the Committee therefore requested that at least 5% of the assets of the solidarity-based funds should be **genuinely invested** in solidarity organisations, i.e. on a non-diluted basis. The Finansol label regulations are therefore more exacting than the ones of AMF.

The Committee's decision had a significant impact on the financing of solidarity organisations. To comply with the label's regulations, fund managers have had to increase their solidarity ratios, thus generating several tens of millions of euros of additional solidarity investments

Responsible management of non-solidarity-based assets

The label's Committee also formalised a rule that had become tacit over the years, and which had already been implemented by the vast majority of fund managers: to require that non-solidarity assets are selected taking into account **non-financial criteria, mainly environmental, social and governance (ESG) criteria**.

Like all the Committee's choices, this decision was taken in the interests of savers, but also in the interests of the credibility of solidarity-based finance. He hoped that there would be 'ethical coherence' across the fund's assets. Finding in a fund's portfolio both listed enterprises with a harmful social and/or environmental policy alongside enterprises that work towards integration and accessibility did not make much sense.

When this decision was ratified by the label's Committee, it gave the managers of the funds concerned a period of one year to benefit from the time needed to refocus the management of non-solidarity assets. It is for this reason that many dedicated solidarity-based FCPE^s have not applied for the label. Some enterprises only wanted to meet the obligation to offer a solidarity-based fund to their employees, without opting for responsible management of their non-solidarity assets.

As Socially Responsible Investment (SRI) is not core to Finansol's activity, the Committee co-opted several people recognised for their expertise on this subject.

Their expertise allows them to:

- approve (or reject) new applications for solidarity-based CIU^s ;
- annually review the overall management policy for funds labelled as part of the annual audit ;
- inform all members of the Committee about new issues, as was recently the case with the SRI policy on real estate assets.

This expertise is necessary. Since 2008, the committee has received a very large number of solidarity fund applications, particularly FCPE^s. Management companies have had to set up or expand their offer of solidarity-based employee savings funds to meet legislative obligations (see page 60). In two years (2008 and 2009), the committee has awarded the label to 33 solidarity funds.

The label's Committee spends a significant amount of time studying the funds' SRI policy. Guy Courtois, former Chairman of the label's Committee, acknowledges that *'The Committee often devotes a lot of time to examining the SRI policy of the funds when the beneficiaries of the solidarity pocket are ESUS-accredited, or their capital shares already have the Finansol label.'*

In addition, with the Committee's agreement, Finansol participated in discussions on the creation of the public SRI label on the basis of its experience in managing a responsible label. In addition, the association maintains close links with Novethic and CIES, the other SRI labelling bodies. Representatives of these organisations are also members of the Finansol label Committee.

Other aspects of the Regulation on solidarity-based funds

The Committee also calls on investors to ensure that the **management fees** of solidarity-based funds are 'reasonable'. It does not want the solidarity-based management of the fund to serve as an excuse for excessive pricing, which would be borne by the subscriber. Each year, management fee levels are reviewed based on each fund's profile. In particular, the Committee examines the actual level of fees where a fund's assets are invested in other funds ('fund of funds'). For this reason, the label's Committee refused in 2010 to label the feeder fund of a solidarity CIU, since management fees varied by twice as much between the two investments.

Finally, the Committee receives applications from funds that invest 5 to 10% of their assets in **non-ESUS-accredited organisations** but which can be classified as solidarity organisations. These are mainly microfinance funds that invest their assets in microfinance institutions (MFI⁶) based abroad

and are therefore beyond the scope of French law. These funds include the 'BNP Paribas Obli Responsable' mutual fund (BNP Paribas IP) and the 'Danone.Communities' SICAV (Amundi).

The label's Committee therefore studies all the solidarity components of these investments, such as the investment methods or the quality of the final beneficiaries. Labelling is done on a case-by-case basis, requiring a more in-depth examination than for ESUS-accredited bodies. The vast majority of the latter are known to the committee, the shares in their capital already having been labelled.

The appraisal of solidarity-based assets is therefore identical to that of solidarity-based enterprises (see page 33).

In 2009, MAIF sold its first two solidarity-based investments, a shared return savings book account and a life insurance policy, which were soon great successes with its savers. On the basis of these results, it began to consider moving *'towards more solidarity-based savings, to deepen this strategy'* as Loïc Dano, head of savings products, life insurance and asset management at MAIF, explains. In 2014, the mutual thus expanded its shared return savings book account offer (see page 48) and developed its solidarity life insurance policy.

It also wanted to set itself a challenge: to offer solidarity-based savings to its asset management customers, monitored by its network of Asset Management Advisers (*Conseillers en Gestion de Patrimoine – CGP*). As Loïc Dano points out *'MAIF's asset partners find solidarity-based savings very palatable. Many of them took out savings book accounts in other ways and chose the only solidarity-based unit of account that was then offered to them in the life insurance policy'*.

Studies on the creation of a tax-exempt product for this clientele were conducted with the help of France Active and Finansol.

Finansol had in fact challenged MAIF about the absence of a solidarity dimension in its tax-exempt asset offers. The mutual was also able to draw on France Active's previous experience, which had benefited from funds from a local investment fund (FIP) via SIFA.

Until then, MAIF distributed FIPs open to all networks and managed by two different management companies. It wanted to remedy this, as Loïc Dano explains: *'We wanted to create a solidarity-based FIP dedicated to MAIF customers and no longer take an off-the-shelf product.'* One of these two financial institutions, 123 Investment Managers, followed MAIF in its project.

The FIP is a financial vehicle required to invest at least 70% of its assets in unlisted SME^s located in four adjacent regions. It complies with specific management rules, in particular on maximum

investment per structure and per region. The sums invested in these financial mechanisms are frozen between 7 and 9 years. In return, investors benefit from tax incentives in the form of either an income tax (IR) reduction, or a solidarity wealth tax (ISF) reduction.

This was how the first 'MAIF solidarity FIP' came into being in 2014, which is a '90/10' fund composed of 10% ESUS-accredited securities, invested in SIFA and, a particular feature of this fund compared with other '90/10' funds, 90% unlisted securities.

On the solidarity side, MAIF opted for France Active because of their fruitful partnership on the 'Insertion Emplois Dynamique' FCP, marketed via the 'Assurance vie Responsable et Solidaire' policy, due to the effectiveness of its solidarity financing initiative effective, but also for its geographical coverage through its 42 regional funds.

Non-solidarity assets are invested in unlisted SME^s in the dependency/healthcare sectors, via EHPAD^s (*Établissements d'Hébergement pour Personnes Agées Dépendantes* (accommodation for elderly dependent people)), and hotels.

The label's Committee applied the same rules as for the other '90/10' funds on its responsible investment policy, and therefore on its selection system for SMEs in the non-financial sector (social policy, governance, environmental protection, relations with stakeholders etc.). The answers provided by 123 IM satisfied the Committee, which was then able to award the Finansol label to the MAIF solidarity-based FIP, which met all the criteria.

Loïc Dano explains the positive effect of the Finansol label committee on the responsible investment policy of 123 IM: *'The label Committee challenged 123 IM on its ESG criteria, on its responsible policy, which was not yet fully rolled out. The label Committee's demands enabled it to go further on this. 123 IM is now a signatory to the United Nations-supported Principles for Responsible Investment (PRI).'*

With the FIP, MAIF then had a complete range of solidarity savings for all its savers. It actively promoted these during the *Semaine de la finance solidaire*, organised by Finansol. The CGP^s have been trained in the specifics of the investment.

MAIF's gamble reaped dividends, to the great satisfaction of Loïc Dano: *'Between 2009 and 2013, we collected €9 million every year on our FIP^s. The first MAIF solidarity FIP collected just over €13 million.'* It is this commercial success that led to new solidarity-based FIP^s being created at a rate of one per year (2015, 2016 and 2017), all with the Finansol label.

The impact of the first three FIP^s was considerable in terms of social utility, since, according to data consolidated by France Active, 2,335 full-time equivalent (FTE) jobs were financed by SIFA thanks to income from MAIF's solidarity-based FIPs. In addition, the FIP facilitates job creation in France via

SME^s supported by the fund's other investments.

For MAIF, the fact that the '90' part of the FIP is unlisted poses a serious advantage in terms of social impact. *'Unlike the other '90/10' funds, we are the only ones to actually invest 10% of assets in solidarity-based securities. If savings are collected equally between the FIP and another fund, the FIP makes it possible to invest larger sums in SIFA and, ultimately, to create more jobs'*, adds Loïc Dano.

What does the future hold for the label?

By Jean-Pierre Lefranc
and Isabelle Guénard-Malaussène,
chairs of the Finansol label Committee



The financial innovations harnessed for solidarity presented in the preceding pages have illustrated the convictions, imagination and perseverance shown by the pioneers of solidarity-based finance. All of these initiatives were, in the end, only the first milestones in a successful sector that continues to evolve, move forward and scale up.

Applications in a booming environment

The global environment around solidarity-based finance is booming: the world of finance is creating innovative products, the SSE world is producing new issuers, the number of players concerned about solidarity in Europe and throughout the world is increasing, labels, certifications and even regulatory and legal credentials are emerging.

In this changing context, we, as members of the Finansol label Committee, must prepare ourselves to provide answers to increasingly complex applications, which is already the case at each of our meetings, without turning our back on our founding principles, which are and will remain:

- our independence ;
- our professionalism and stringency ;
- our openness to financial innovation, to new players (issuers, savers and institutional investors) and to international markets ;
- our respect for the Finansol association's delimitation of the scope and boundaries of solidarity-based finance ;
- our expertise, which is based on our in-depth and up-to-date knowledge of the new mechanisms and players in solidarity-based finance - and in 'responsible' finance, in the broad sense of the term, to be able to distinguish between SRI and solidarity-based financial products.

To respond to the growing complexity of applications, the Committee must remain open to professionals from different backgrounds, all involved with solidarity-based finance, but with specific technical knowledge (on SRI, on cooperatives, on financial mechanisms, etc.).



Photos Degresfahrenheit / David Arous

A semantic question to answer

The solidarity-based finance sector is already confronted with semantic questions: there is no direct equivalent in English, for example, of '*finance solidaire*'; the term '*solidarity finance*' does not exist in English. The terms that most closely resemble it are 'Venture Capital Philanthropy' and 'social impact investing'. The term *finance solidaire* could thus evolve over time. This is also the case for the

definition provided today in France of a solidarity-based activity, the keystone and '*raison d'être*' of solidarity-based finance. Although we have developed our own definition of solidarity-based activities, it will no doubt need to be adapted for adoption at international level.

A new approach to analysing applications and awarding the label

Faced with these changes, in 2016, the label Committee began to review the entire analysis and selection process, step by step, to be able to include and address the new specificities of these innovations. For each new application, we analyse the following points:

- **The quality of the solidarity-based activity:** does the activity and/or the solidarity project primarily target people or regions where access to funds is limited? ;
- **The nature and quality of the financial product proposed for labelling:** does the proposed investment fall within the scope of the label? Are they unlisted shares, bank savings book accounts, life insurance policies, etc.? ;
- **The quality of the issuer:** issuers must be members of the Finansol association and belong to the 1st (solidarity-based enterprises and financial funders) or 2nd eligibility group (financial institutions). They have one year after joining to propose at least one investment for labelling to the label Committee ;
- **The solidarity mechanism:** does the solidarity investment include at least one of the two solidarity mechanisms (shared return product/ investment product) and does it achieve the expected minimum level of solidarity? ;
- **The issuer's commitments:** what transparency and information commitments are made to subscribers and what reporting commitments are made to Finansol? And are they adhered to if the investment is labelled? ;
- **Subscribers' expectations:** who is the sales target of the solidarity-based investment (individuals, legal persons or both)?

This six-step process of analysis and selection of the investments that can be labelled can be represented as follows:



At each stage of this process, we are already, and will increasingly be, confronted with new issues.

1. Quality of the solidarity-based activity

While in France we have ESUS accreditation (see page 61), which provides an appraisal framework for several solidarity-based activities, not all organisations hold this accreditation: foreign companies, companies active in the social and solidarity-based property sector, in access to employment for vulnerable populations or in new markets linked to the energy transition.

Since its establishment, the label Committee has labelled the capital shares (and other products) of solidarity-based enterprises that have never received ESUS accreditation, but which have demonstrated their solidarity. Examples include Oikocredit, Mouvement d'Aide au Logement, CIGALES, CLEFE and ESIS.

The challenge is to be able to cope with the growing complexity of applications and, by extension, of the organisations that are being established, which differ from the original pioneers of solidarity-based finance, and for whom we must always carry out a complete review of their solidarity activities.

2. Evolution of the financial products

We are receiving more and more labelling requests from new investment companies and holding companies (some ESUS-accredited) that are seeking to have their fundraising accredited, for example to facilitate access to funds from solidarity-based employee savings schemes, which have increased considerably since 2010 (see page 68).

In addition, other investments have been created to attract other categories of solidarity savers, such as crowdfunding platforms. The number of new products is growing all the time, some of them already having been labelled (see page 86). In this regard, the question of the actual mechanism to be labelled is routinely raised, and this varies from one product to another: can the capital shares of the electronic portfolio of crowdfunding platforms be labelled?

In the future, we are set to have non-French solidarity-based investments for the French market that will apply to have the Finansol label. The Committee has been approached on several occasions in this regard. This type of request is likely to increase in the future.

The assets of solidarity CIU^s, already labelled by Finansol or in the process of being created, will change in line with current developments on the Socially Responsible Investment market. The committee pays close attention to the composition of all the underlying assets of solidarity-based funds (see page 72), as all the assets of solidarity-

based funds must be consistent. However, with the emergence of social and green bonds, the nature of these assets is changing and will require careful consideration by the Committee.

In addition to the nature of these underlying assets themselves, the Committee is also asked to grant exceptional dispensations over short periods concerning the percentage of SRI assets held in CIU^s. We have already looked at the case of a fund that did not find satisfactory SRI solutions for an asset category to meet its management challenges. The label Committee will have to formalise a more structured policy if this type of request is set to increase, always bearing in mind that the label is designed to guarantee the solidarity and transparency of investments to savers and investors.

3. Changes in issuers and their commitments

The label Committee issues its opinion on a financial product issued by an institution that is a member of the Finansol association and must first adhere to its principles. The innovation for this association would entail adopting a new charter setting out its values and principles, to which new issuers (asset management companies or non-French banks, for example) would declare their adherence, in order to signal their agreement with Finansol's vision of solidarity-based finance.

4. The evolution of solidarity mechanisms

For many years, management companies have paid part of their management fees to associations, or their employees have devoted part of their working time to solidarity activities, for example by supporting project leaders. So far, the Committee has rejected the labelling of these mechanisms, even though they represent a not inconsiderable proportion of what can be done in terms of shared return. The Committee will have to re-examine these issues and refine its analysis, for example according to the relative amount of income devoted to supporting solidarity-based activities (in terms of management fees and working time). Because the Committee remains determined to reject 'marketing gimmicks' that contradict the philosophy of the label Committee.

5. Changes in subscribers' expectations:

Since its creation, the Finansol label has received requests from various institutions seeking to meet the expectations of their private customers, since it is through this market – also stimulated by tax incentives – that solidarity savings have grown in France, unlike in English-speaking countries, for example. In English-speaking countries, it is mainly legal entities that invest in these products.

Nevertheless, we noted a significant change in the nature of the applications received by the Committee. More and more solidarity vehicles are applying for the Finansol label, to be able to access

institutional investors, public or private, or funds intended for them. Since COP 21, these investors have become increasingly aware and are seeking to invest part of their managed assets in meaningful activities.

Conclusion

by Frédéric Tiberghien,
Chairman of Finansol



Two years after celebrating its 20th anniversary in 2015, Finansol wanted to mark the 20th anniversary of its label by publishing, in late 2017, with the support of the Banque de France, the first study specifically dedicated to this label. The study invites us to look back to see how far we have come, but also to look to the future to imagine the potential challenges ahead.

1. Looking back over the last twenty years

A. This study, which has a captivating historical dimension, highlights the main characteristics of solidarity-based finance in France, and its label

Three of these particularly stand out:

- the success of the civil society players who brought it into being in the 1980^s and who never

stopped offering innovative products for subscription and never stopped promoting it ;

- the label's standing, both for savers and for issuers of labelled products, having established itself as the only solidarity-based finance label in France ;
- the flexibility demonstrated by the label's regulations over the past twenty years, and their constant adaptation to changes in context and to the increasing range of products and their distribution methods.

Laurence Moret summarised this evolution beautifully (Finansol Newsletter, October 2017): *'In 1997, the Finansol label was a sort of experiment. Today it is a leading association and label in France solidarity-based finance sphere. And, in turn, Finansol welcomes social innovation players within its ranks. This is what we call a form of controlled utopia: a social or solidarity-based innovation that develops and in turn gives meaning to the development of a group of people who in engage with it.'*

B. The ultimate intangible asset, this label is both powerful and fragile

Powerful because it authenticates a range of solidarity products for savers and gives them visibility because it informs and reassures them about the nature of their investment.

Fragile because any deviation from the regulation or any serious incident likely to affect one or more labelled products could have an impact on solidarity-based finance as a whole.

C. To cement the credentials of its label and its success, Finansol has carefully combined several ingredients

Eight have played a decisive role in this success:

1. a well-defined scope, whose gradual expansion has been carefully controlled ;
2. a stable and consistent commitment for savers (reliability of labelled financial products) ;
3. for '90/10' funds, the requirement for SRI management for the 90% part of the fund, which made it possible to test and then learn from the complementarity between two labels and their viability, a complementarity set to be strengthened with the recent launch by the government of a public SRI label ;
4. direct communication and promotion of solidarity-based finance to the general public, to encourage them to apply for labelled products from networks that may not otherwise offer them ;
5. independent management of the label by a committee of experts with varied and increasingly specialised profiles ;
6. the committee's regular monitoring of labelled products and effective exercise of its power to withdraw the label;
7. a rigorous committee that is constantly open to innovation, as shown by the analyses on the evolution of the three major innovations reviewed in this study (shared return investments, '90/10' solidarity funds and citizen savings) ;
8. a label regulation that integrates, in time, the consequences of these innovations into a flexible but demanding case-law, and into a gradual refinement of the criteria for awarding the label.

In parallel with the label's management, each year, the observatory on solidarity-based finance collects from the issuers of labelled products statistics on how these different products are taken out, and publishes the main figures on solidarity-based finance, accompanied by measuring the impact of the financing granted. Year after year, the general public has followed, through the media, the progress of solidarity-based finance, and especially the social and environmental impacts of the projects financed in the previous year.

The regular publication of statistics on solidarity-based finance and communication with the general public have thus gone hand in hand over the last twenty years and continue to fuel the content and brand image of Finansol and its label.

D. The three criteria for awarding the label (solidarity nature of the product, information given to the investor on the nature of the product when subscribing, and transparency on the impacts obtained, and commercial promotion commitments) have proved their robustness over time and have been refined over time

These criteria have been applied by the Committee, guided by principles that are captured well in this study and that can be summarised as follows: the interests of the individual savers but also incentivising innovation and growth of the assets of labelled solidarity-based products, ensuring they do not remain secret.

This focus on individual savings relates to the fact that, in France, solidarity-based financing has essentially relied on individual savers from the outset, which differentiates us from other countries, where this type financing comes more from institutional investors.

But expanding the scope of the label discerningly, or labelling a new category of products is not enough to trigger a rush of savers. Thus, although the label's regulations were amended in 2015 to allow the labelling of solidarity-based options and solidarity-based current accounts, no institution has since applied to label this second type of product, even though in periods of low interest rates on the most secure investments (savings book accounts, euro

funds, etc.), savers have chosen to leave a growing share of their savings in their current account.

While obtaining the label enhances the reputation of solidarity-based products among the general public, we cannot overemphasize the importance of training in these products among the sales forces of financial or insurance institutions, the necessary commercial engagement of distribution networks, the policy for promoting these products and communication with potential subscribers.

And the possibility of relying on networks of activists or volunteers increases the capacity to publicise a solidarity-based product, as the study clearly shows with the aid of several examples. Hence the need for Finansol to welcome committed members and to continue to do so, as Laurence Moret has stressed.

E. The label's key success factors

In addition to the ingredients listed above in paragraph 1. C, the undeniable success of the Finansol label is linked to the existence of a favourable ecosystem, and its patient implementation.

The gradual bringing together of the main solidarity-based finance players within Finansol has made it possible to identify a common thinking and language, and to avoid the fragmentation that has been seen in other areas of finance. Moreover, the individual and collective drive of its members is not unrelated to the high growth rate in the sector, and to the correlation so far seen between growth in income (solidarity savings) and use (solidarity financing).

The founders' original project has been extended to all those seeking to harness capacity for financial and social innovation for the benefit of financing collective projects with a strong social and environmental impact. They all share the idea that finance must be reformed from within by doing it differently (by moving away from its excesses and speculative temptations), and making savings and using these as a vehicle for social and environmental change, to promote a sustainable and inclusive society.

Of these, the specific role played by solidarity-based financial funders who act as intermediaries of solidarity-based savings and convert them into solidarity financing should be mentioned. Their

work particularly benefits small-scale projects that without them would not have access to credit or equity. Many of them have also signed cooperation agreements with network banks, and three of them also provide long-term support for founders of solidarity-based enterprises, thereby contributing to their survival rate, which is significantly higher than that of conventional enterprises.

More fundamentally, solidarity-based finance players have successfully anticipated and responded to the far-reaching expectations of a category of our fellow citizens, that of patient and loyal individual investors who want to give back and are ready to commit themselves to supporting collective projects. The projects financed are meaningful and facilitate social and environmental transitions, which are very important for younger generations.

Finally, it seems to me that there has been – albeit not always – a well-orchestrated complementarity or interdependence between a citizen initiative that is based on the mobilisation of private savings and legislative intervention, which can take several forms (incentives to collect solidarity savings; development and the relaxation of banking legislation for solidarity-based financial institutions; tax relief for solidarity savers etc.). The study repeatedly points to this successful coordination, for example by tracing the emergency of legislation on '90/10' funds before the institutionalisation of solidarity accreditation, or the birth of the 'Schneider Electric Energy Access' fund to meet the pre-existing constraints of French regulations.

Conversely, the launch of the generation life insurance policy was a missed opportunity in the previous five-year period, because the government neglected to enact in due time the decree defining the solidarity investments that could be taken into account on the same basis as investments in SMEs or social housing. Insurers have therefore launched their commercial offer without providing a solidarity option, contrary to the wishes of the legislator!

Similarly, the conversion of the LDD into LDDS announced by France's President in January 2016 and enacted by the Sapin II law of December 2016 has not yet had any practical effect, because the government has refused, despite the assurances given to Finansol, to enact, in due course, the decree defining the arrangements for donations or solidarity investments for this new solidarity savings account!

Finally, what can be said about the way in which the abolition of the solidarity tax on wealth (ISF) was announced in September 2017, and the lack of mention of its consequences for solidarity-based finance?

The successful synchronisation or orchestration between private initiatives and legislative initiatives remains decisive for the future of solidarity-based finance.

In its White Paper of April 2017, Finansol deplored the fact that the recognition of solidarity-based finance and its ecosystem by public authorities is being translated into public policies slowly and is being publicised disparately within public authorities and administrations. The above examples perfectly illustrate these recently missed opportunities, due to the widespread indifference of the state to the future of solidarity-based finance and its potential.

2. Looking forward to the next twenty years

The co-chairs of the label Committee have ventured into a perilous exercise, which consists of trying to extrapolate the future from the past and from the present. Their inspiring reflections on current innovations and changes lead me to address the following points from a very specific perspective, which I will explain.

Since solidarity-based finance relies on a powerful momentum (+20% annual inflows on average, over the last fifteen years), which is set to continue (assets could, all things being equal, multiply around five times by the end of 2026 to reach more than €45 billion), it is important to give the players in our ecosystem the maximum possible visibility on future or potential changes to the label, so that they can continue to innovate within as clear and predictable a conceptual and regulatory framework as possible

A. An impressive array of new questions will arise, which will sooner or later have to be answered

A.1 - An impressive array of new questions will arise, which will sooner or later have to be answered.

As the Parliament has ratified the conversion of the LDD into the LDDS, it will be necessary to examine whether this new solidarity product, in its versions as a shared return product and as an investment product designed to finance the SSE as a whole, will be able to receive the label, and under what conditions. And for these two versions of the product, we must ask ourselves whether we should impose more or less stringent conditions than those provided for by the law.

New potential fields will also open up for the label.

In 2015, Finansol's board of directors refused to extend the scope of the label to solidarity-based means of payment, on the grounds that savings and means of payment should not be confused in the mind of the public¹.

However, the concomitant extension of the label to current accounts, the use of credit cards as a medium for solidarity options and the heralded disappearance of paper money and coins in favour of electronic money will undoubtedly blur the boundaries between means of payment and savings products, whereas in the past this was clearer.

In this regard, the question of the potential labelling of local currencies, which contribute to the rise of short distribution circuits, will also inevitably arise.

Similarly, the rise of round-up schemes on invoices or pay slips, or when using electronic means of payment, will raise the question of the possible labelling of these new forms of shared return, as will the evolution of certain shared return arrangements in other financial products (sharing of management fees or surrender of a percentage of payments as with the LDDS).

Given the very fine line between a solidarity-based investment and **venture capital philanthropy** or social impact investing, the question of the potential labelling of certain funds with a social or environmental impact will also inevitably arise. And with it, that of measuring the social impact that is sought (see below).

The same question could also arise for social impact bonds, which make it possible to pre-finance social innovation initiatives by calling on private or public third-party investors.

1. In the 2006 'Finerosol' report, the exclusion of means of payment is thus justified (page 54): 'Loan products and services are excluded from the scope of the label. Credit cards are also excluded from the scope of the label. Although they generally allow a credit position on the part of the customer, and despite the fact that some offer a solidarity mechanism in favour of environmental or human rights protection associations, these financial products do not strictly speaking constitute a savings product. While they offer a payment facility to their holder, they are also a tool of indebtedness, even over-indebtedness for individuals.'

Finally, in order to strengthen the measurement of impacts by the beneficiaries of solidarity funding, it would also not be inconceivable for the label's regulations to require that any request for labelling should be accompanied by a commitment to develop robust impact measurement indicators. Developed and proposed by the label applicant, they would not be subject to validation by the committee – which is likely to be ill-equipped for this – but to long-term monitoring in order to ensure this measure is objective. The question will then arise of greater sectoral standardisation of these indicators, so that Finansol can consolidate the data provided by its members in order to improve its reporting to the general public on the social and environmental impact of solidarity-based financing. If Caisse des Dépôts made MESIS, the social impact measurement tool it is developing as part of the NovESS fund, public as it plans to, there would be a solid starting point for this standardisation.

A.2 - Continue to label products and also accept the labelling of organisations?

Until now, the doctrine of the label Committee has always been clear and unequivocal: Finansol only labels financial products, and never organisations or companies.

But the question will arise for crowdfunding platforms: financial services platforms, where the shelf life of products is short and the costs of the projects to be financed are individually limited by legislation, prevent easy identification of investments that can be labelled in a lasting way.

To date, only the micro solidarity loans granted by Babyloan, which have been likened by the Committee to time deposits in how they work, a time deposit for la Nef (*Prêt de chez moi*) and capital shares (SPEAR, FADEV) that lend themselves better to labelling, have been labelled.

Another rationale would consist of labelling the platform using traditional criteria (solidarity, type of products offered to solidarity enterprises, subscriber information conditions, etc.), but adapting them to organisations.

In the same vein, Finansol asked itself in 2009 whether it would be appropriate to label certain solidarity-based financial funders, rather than their products, on an ad hoc basis. By way of illustration, would it not be simpler to label SIFA itself, rather

than the capital shares issued by it, knowing that to label capital shares more or less amounts to labelling the issuing body?²

With the hindsight we have today around the role and practical work of solidarity financiers, for example thanks to the study carried out in 2017 by Finansol, such a development would not be incongruous. From this point of view, it will be interesting to closely follow the rise of the B Corp label in France, which is aimed at companies rather than at products.

2. On this subject, it is notable that the 2006 Fineurosol report addresses the issue on page 53, stressing that the majority of members favoured labelling products, with a small minority in favour of labelling institutions. But it is also stated in footnote 2 that 'The labelling of the institutions' shares and actions (...) constitutes a labelling of the institutions themselves'.

B. Major challenges for the label

Two of these challenges have already been identified.

B.1 - Europeanisation of the label.

An undeniable success at national level, will the Finansol label survive another 20 years if it remains confined to a single national market within the EU? Those seeking reassurance should consider that France is the third-largest European market for asset management, according to data published by the AFG, and that this fact provides a good chance of longevity to the label and to labelled products marketed in France by banks, management companies or insurers.

It is also significant that the label has already been awarded to a product issued by a Dutch foundation, Oikocredit. Several labelled funds, whether they focus on development aid or employee savings (*Danone Communities*) also direct French savings towards foreign beneficiaries, mainly microfinance institutions or cooperatives, or social enterprises.

It should be recalled that in 2005-2006, Finansol participated, alongside Crédit Coopératif and eight European partners, in a 'Fineurosol' project financed by the European Commission, to create a European label for solidarity-based savings, accompanied by the publication of European indicators on solidarity-based finance³. Very valuable and insightful, this report shows that it was possible for Europeans to agree easily on the six criteria for identifying solidarity products (page 53 to 60), criteria that are similar to those used by Finansol, and on the list of

fields financed by solidarity-based savings (page 55).

This European label was due to be created in 2007 by Finansol, the Belgian alternative financing network (*Réseau de financement alternatif* – RFA) and the FEBEA (page 61-62). Unfortunately, I have not yet been able to establish the reasons why this project ultimately failed.

Among the arguments that justify placing the possible Europeanisation of the label back on the agenda is the need to support the players and beneficiaries of solidarity-based finance who are becoming Europeanised or internationalised, as has been the case for development aid actors. From this point of view, the extent of the French-speaking world and the existence of OHADA in West Africa should not lead to neglecting this geographical area either.

Financial and prudential regulation is now also largely organised at European level, and the European Commission makes no secret of its ambition to achieve an integrated capital market within the EU. Since the free movement of capital is, moreover, one of the three fundamental freedoms recognised by the European treaties, it would be naïve to imagine that it will not sooner or later lead to such a unified market.

Finally, the European Parliament proposed, as early as 2013, launching European social labelling and, if such an initiative were to succeed, just like the one relating to the creation of a label specific to social entrepreneurship, the Finansol label could echo this or form part of this more general movement to promote European labels.

Several factors could contribute to accelerating this eventuality.

If the proposals made by Finansol in its February 2017 White Paper were welcomed by the new government, we should see an increase in the number of institutional investors in solidarity-based finance (foundations and endowment funds, supplementary pension funds, provident institutions, insurance companies, etc.), even though this remains essentially the preserve of individuals. These institutional investors have long been accustomed to cross-border investments.

Similarly, if the European Commission were to change the regulations on EuSEF³ (European social

entrepreneurship funds), which have so far not been very successful, along the lines proposed by Finansol (proposal 10 of the February 2017 White Paper), asset managers would have an appropriate vehicle to invest in European social enterprises, which should naturally also be open to individuals.

In the same vein, the proliferation of social impact funds and the emergence of the new asset class represented by social impact bonds should help to give depth to this market segment.

To achieve this, multiple avenues are open, both narrow and wide.

3. The report prepared following this study is available online here: http://base.socioeco.org/docs/fineurosol_rapport_final.pdf

Finansol could label solidarity-based financial products created abroad (Germany, Switzerland, Luxembourg etc.) and distributed in France, and vice versa.

Finansol could also label products distributed to foreign residents living in France and seeking to invest in their country of origin by supporting solidarity enterprises, as development aid actors already do.

The experience built up by Finansol should also lead to taking a step back from the 2006 'Fineurosol' study and avoid making the mistake of adopting the wrong operating mode.

In France, the label came into being some fifteen years after the launch of the first solidarity-based financial products by civil society players. In other words, a label does not grow alone in a desert: it is created in an embryonic or established ecosystem. In particular, there must be a minimum density of issuers seeking to have their products labelled, as well as the means of promoting the label and training... A label is much more likely to be accepted if it originates from local players and meets their needs. It also requires a minimum period of existence to establish itself in its ecosystem. Simply exporting a successful model to one country does not necessarily guarantee success and acculturation in another ecosystem.

If this analysis is correct, Finansol should adopt a technical assistance and advisory approach to the establishment of equivalent labels by players from other ecosystems.

Behind this choice, there is also the question of the value-added of an international label, compared to the coexistence of national labels that are well established in their respective ecosystems, an issue that was not addressed in the 2006 'Fineurosol' report.

This will need to be discussed when the day comes, with all those to whom this subject is relevant and who wish to strengthen solidarity or equivalent labels in Europe.

Such an approach would undoubtedly require us to clearly define how solidarity-based finance (France and Belgium) relates to similar concepts of ethical finance (Italy, Spain), responsible finance, sustainable or social finance (Germany, Denmark and Scandinavia, United Kingdom), inclusive finance, green finance, social impact investing etc.

After all, solidarity-based finance exists in other places as well as France, but in other terms, in other forms and under other legal frameworks (e.g. trusts).

But on this point, the 'Fineurosol' study is reassuring (page 19-20), pointing out that *'Ethical, socially responsible or sustainable finance is in reality a single concept that evolves over time and, as mentioned above, according to the more or less pronounced influences of religious movements (the term 'ethical' will tend to be used more often if the influence of religion is strong).'*

It is also because of the existence of a largely common foundation that it has been possible to agree on the binary typology of solidarity-based products (solidarity investment with capital-based solidarity; solidarity investment with solidarity-based shared return, solidarity relating to savings income), and especially on the six criteria that make it possible to define them.

And in its conclusion, the study proposes the following definition for solidarity-based finance: *'In short, solidarity-based finance is community finance, as a direct link with the local economy, which tends towards societal added value (and not only regarding capital) and entails the involvement of all players (savers, intermediaries and beneficiaries).'*

We must therefore prepare for this convergence, and several avenues can be explored to this end.

It entails taking a greater interest in what is happening in other countries, and comparing

ourselves with those who manage other solidarity labels or implement solidarity investments, in order to share our questions and working methods more effectively.

In the future, we will need to be able to call on them to assess the solidarity nature of an issuer or an investment product designed abroad. The existence in France of solidarity accreditation currently facilitates such assessments.

In addition, it is essential to regularly check whether we still share the common foundation of the six criteria identified in 2006 and, beyond that, whether it would be beneficial for everyone to consult each other in advance of any changes to national criteria for awarding such labels. Because if these criteria remain common and shared over time, it would be possible to envisage mutual recognition of labels, which would avoid having to create a new one at European level and would save a lot of time and money for applicants to the different labels. By ensuring this common foundation is continuously updated, this could be a programme for which funding could be requested from the European Commission.

The committee could also consider bringing in a number of foreign experts to guarantee the harmonisation of criteria, making it possible to define what a social or solidarity enterprise is in Europe, and to award the label on the basis of the common foundation defined in 2006.

B.2 - One or more labels?

Another question that has long been debated is whether to maintain a single label or subdivide it into separate labels by type of product (shared return savings, investment products) and/or by type of savers or investors (individuals or institutional investors) and whether it should be accompanied by a rating specifying the product's degree of solidarity (a star rating, for example).

Until now, Finansol has confined itself to a single and easily readable label. This approach is justified by the fact that solidarity-based finance is mainly aimed at individuals, and by the fact that general public awareness of solidarity-based finance, although above 50%, has not yet reached a sufficient level to support differentiated communication according to targets or types of products.

If Finansol succeeded, for example, in convincing people of the need to open up solidarity-based finance more widely to institutional investors (pension funds, provident institutions, insurers, foundations and endowment funds) and to authorise them to earmark a small proportion of their funds for solidarity-based financing, as proposed in the *'10 proposals for developing solidarity-based finance'* White Paper of February 2017, the question will inevitably arise.

Created for the general public, it is not in fact clear that the label meets, in its current status, the expectations and needs of institutional investors,

and in particular those who, like individuals, seek to make their investments more meaningful.

With this in mind, and as a first step, the label committee wishes to formalise in its label regulations that labelled savings products may be intended for individuals and/or institutions.

In view of all the challenges and questions referred to above, it is by no means certain that this regulation will continue to evolve beyond this first stage, as regards both the scope of solidarity-based finance and the labelling criteria.

This study would not have seen the light of day without the investment of the observatory on solidarity-based finance, and particularly its director, Frédéric Fourrier, without the testimonies gathered from the association's founders and from Finansol members who pioneered the innovation, without contributions from successive chairs of the label Committee, and without the support of the Bank of France. We thank them all.

This study is the best tribute we can pay to all successive members of the label Committee who have worked so diligently behind the scenes to build a robust and

mobilising tool whose potential is still unfolding. By publishing this study, Finansol is paying a huge debt of gratitude to them.

But this study is also resolutely forward-looking. To meet the challenges and answer the many new questions that will no doubt arise in future, Finansol members must also continue to innovate and inspire the label Committee by submitting their innovations. I therefore appeal to their energy and fertile imaginations to make the next twenty years as exciting a period as the first twenty years of the Finansol label.



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