

BPI's Financing of the Social Solidarity Economy in France

A Financial and Economic Solution to Fund Cities



This memo seeks to explain the importance of the **Social Solidarity Economy** for regions and cities as a **strong way to leverage economic development** and to generate sustainable activity. In the second part, it will explore the **French Public Investment Bank's (BPI) financing support to the Social Economy**. The conclusion will highlight the role that French local authorities could play in this context.

1 . The Potentials of the Social Solidarity Economy for Local Development

What?

According to the BPI's definition, businesses and firms belonging to the Social Economy are “**cooperatives, associations of goods and services producers, trade unions, but also social entrepreneurs organized as commercial corporations**; they have in common specific entrepreneurship methods, including: sustainable reuse of their profits towards their activities and their **social goals**, indivisibility of their required reserve ratio, capitalistic rules organizing a patient, **potentially profitable and robust investment model on the long run**.”

Why?

The **social solidarity economy (SSE) market represents 10% of France's GDP** and accounted for 23% of the new jobs created in the last ten years, against 7% for the traditional private sector. The SSE employs **2.4 million people in France** and is an important driver of employment and development. In addition, many initiatives and enterprises within the SSE are **deeply rooted at the city-level**. It is therefore particularly interesting for local authorities to encourage the SEE, which produce local benefits through various methods (ex: short circuits; see links in references).

How?

There are many ways for a local authority to support the SSE: **legal and financial schemes or even the creation of financial institutions** specifically dedicated to the SSE. Below, you will find a case study giving an example of a local authority supporting the SSE.

Case Study: Grenoble's municipal policy for supporting the SSE

Location: Grenoble, Isère (France)

Site: <http://www.grenoble.fr/148-economie-sociale-et-solidaire.htm>

The SSE accounts for a relatively large share of Grenoble's economy, as it represents 11% of all jobs (with 800 associations, 70 cooperatives, 60 unions and foundations), providing revenues for 8,300 people, of which 67% are women. The City of Grenoble is heavily involved in the SSE and, due to its engagement, earned the title of "Territory of Fair Trade and Responsible Consumption" in 2010 and 2012. It is also implicated both in French and European SSE networks.

The city's actions to encourage the social solidarity economy focus on three areas: promotion of this economy amongst local actors in Grenoble to increase the visibility and political support for this sector; support to SSE initiatives such as providing accommodation and financial support to social enterprise incubators; support to local consumption through the development of solidarity currencies, short circuits, etc.

For example, the City of Grenoble has contributed to the financing and the implementation of an e-commerce website, (<http://www.consolidaires.org/boutique/grenoble-solidarite>) selling articles (food, beauty products, clothing, recreation, culture, home equipment, baby products) selected on solidarity criteria: origin, manufacturing, affordability and equitable distribution of the value, employment of people in job placement programmes, etc.

2. The BPI: Paths towards funding the SSE

In the May 2013 report about financing the SSE submitted to Benoit Hamon (Minister of the Social Solidarity Economy in France), **four tools** have been described in detail to encourage the development of this sector.

i. Creation of a fund of funds

This fund would supply **specialized funds** that support rather **large SSE enterprises**, whether they are associations with high social impact, cooperatives, or participative societies. According to the press release from the Social Solidarity Economy Ministry in France, between **50 and 100 million** euros would be mobilised for these different

funds by the BPI, whose participation could not, however, exceed 40%. The Public Investment Bank (BPI) of France would be, therefore, a co-investor, which could associate local authorities.

ii. Participative social solidarity loans

This second tool is directed at **small structures** in the sense that the proposed loans range from 10,000 to 50,000 euros over the course of seven years. The BPI, in partnership with large associations such as SOGAMA – previously owned (46%) by the Deposits and Consignments Fund (Caisse des Dépôts) –, is able to insure actors comparable to medium-sized businesses whose loans remain outside the scope of the Oséo guarantee. The BPI expects to mobilize “several tens of millions of euros” for these loans.

iii. Creation of a social innovation fund

This **experimental fund** (the first trial period will last three years) involves the provision of **repayable advances** based on a **call for proposals** launched by BPI France. This fund allows for the funding of socially responsible projects not necessarily supported by traditional commercial banks, which are usually averse to the risks of these projects of little or no profitability. The fund is sustained by the BPI, the French State, and the Deposits and Consignments Fund (Caisse des Dépôts). **French Regions are invited to participate as well.** Six regions have already expressed an interest. Private investment funds specialised in SSE such as the *Comptoir de l'innovation* are also involved in this fund.

iv. Creation of a crowdfunding site

Lastly, BPI France plans to launch a website for **participative financing**, also known as crowdfunding, aiming at aggregating and federating existing websites. This innovative way to mobilize savings, would thus acquire more visibility. The website would also enable the raising of substantial funds, orienting part of them towards the SSE. This mechanism would be directed at **financing very small businesses**. One can nevertheless question the feasibility of such a project, since existing crowdfunding websites are private and enjoy very little regulation. Hence, there is little chance that they would accept to be gathered within a public tool.

What role for cities in relation to these tools?

These tools are not directly addressed to local authorities, but support a powerful way to leverage local development. Hence, it is in local authorities' interest to encourage such dynamics. Cities' support can therefore take two main forms:

- They can **get involved in the tools' implementation process** through the co-financing of projects or sharing of technical expertise
- They can **link the actors of the SSE present in their territory with existing institutional or financial tools** (counselling activities...).

References

BPI Press Release

<http://www.economie.gouv.fr/files/rapport-bpifrance-financement-ess-mai-2013.pdf>

« Short circuits

<http://www.lelabo-ess.org/?Synthese-de-la-rencontre-Les>

City of Grenoble Website

<http://www.grenoble.fr/148-economie-sociale-et-solidaire.htm>

Laboratory of SSE Website (French)

<http://www.lelabo-ess.org/>

REolutions to Fund Cities

This "Economic Solution" has been produced within the context of FMDV's **REolutions** program. REolutions, a four-year international program, offers an invitation to all urban actors to **Rethink Economic solutions** that operationalize sustainable, efficient, and resilient local development.

Initiated by a consortium of local authority networks, REolutions concentrates on identifying, analyzing, transferring and pilot-implementing economic and financial strategies and mechanisms that have improved the impact and performance of local urban development policies.

Anchored and articulated at the regional level in a multi-actor setting, REolutions seeks to equip local authorities with the tools to integrate and operationalize a wide variety of financial resources for the endogenous development of their cities.

For more information, please visit <http://www.fmdv.net/index.php?id=10&L=2>.

