Social economy plays a major role in achieving the environmental and social transition in Europe.

Social economy actors are active in segments that are little or not covered by traditional for-profit companies in a wide array of sectors, ranging from social integration of disadvantaged people to land-based industries and the environment, as well as social services, general interest or cultural, touristic and recreational activities. It is estimated that social economy represents 2.8 million entities and enterprises in Europe, employing 6.3% of the working population.

European social economy actors face structural difficulties accessing financing as a result of the social finance market failure.

The reasons for these difficulties are numerous and have a variety of causes. Examples include the usually small size of social economy actors, the fact that their securities are not listed, their low return on capital which makes them less attractive to investors, and barriers to access to credit. These difficulties hamper their development and thus their ability to achieve their social objective.

Innovative social investment funds are developing to address this market failure.

In France, a specific form of investment fund was created: solidarity-based fund, commonly known as “90/10 funds”, that invest 5-10% of their assets in social economy actors. 20 years later, 90/10 funds have shown their potential for social impact, while becoming commercial successes as well. As of 2021, the total outstanding on 90/10 funds amounts to 13,78€. These types of funds not only provide social economy actors with financing solutions uniquely adapted to their specificities, but also represent an innovative investment vehicle for asset managers and a reliable opportunity for investors to give meaning to their savings.

These funds should be encouraged and scaled up, in accordance with the European objective of financing fair transitions.

This issue of social economy not being sufficiently understood and recognized, which hinders its access to long term investment capital, is recognized at a European level, in particular in the European Commission’s recent Action plan for the social economy. Mainstreaming social investment funds such as 90/10 funds across the Union would therefore appear as a way to implement the objectives of this action plan.

Barriers to the development of these funds in Europe should therefore be removed.

Under current regulation, investing in vehicles adapted to the specificities of social economy actors disqualifies those solidarity-based funds from being commercialized to retail investors in the European Union. This issue seems not to stem from a concern that those vehicles specifically may be riskier than other securities for investors, thus being unfit to be commercialized on the European capital market freely. Rather, it appears to be part of a larger trend, where tools used by social economy actors, being less widespread than traditional securities, are often victims of a “blind spot”. Their specificities are not well taken into account when designing regulation or public policy, which sometimes leads to them being de jure or de facto excluded.

Therefore, we would like to call for a modification of European regulation, to allow social investment funds such as 90/10 funds to become available to all European investors, including retail investors, in order to offer all citizens a way to give meaning to their savings, to share expertise across borders, and to encourage the development of safer and demanding social investment funds across the Union.