

## FEEDBACKS ON THE SECOND INTERNATIONAL CONFERENCE ON SOCIAL INNOVATION



**REALIS Centre (Montpellier) – 27<sup>th</sup> of November, 2015**

**Organised by the Languedoc-Roussillon Regional Association of Cooperative  
Enterprises**

**And co-organised by the Languedoc-Roussillon Region and the Movement of  
Social Entrepreneurs**



The Second International Conference on Social Innovation took place at the REALIS Centre of Montpellier, on the 27<sup>th</sup> of November 2015. The Languedoc-Roussillon Regional Association of Cooperative Enterprises and the Alter'Incub network organised this high point of exchanges focused on **funding social innovation** with the Languedoc-Roussillon Region and the Movement of Social Entrepreneurs.



Sponsored by **Nicolas Hazard** (Chairman of Le Comptoir de l'Innovation, Vice-Chairman of SOS Group and Chairman of Calso) and led by **Denis Stokkink** (Chairman of the Think and Do Tank Pour La Solidarité), this event gathered 250 participants from all over France. **16 speakers** from France, Belgium, Germany, Spain, Great-Britain and **the Netherlands** came to Montpellier for this occasion and testified of the **diversity of practices** on each territory.

Thanks to the great plurality of participants and speakers, the Second International Conference on Social Innovation met the challenges it pursued: **to highlight** different, innovative, European approaches to **trigger reflection** on all those initiatives on a local level and **to testify about the Languedoc-Roussillon Region being one step ahead of others** regarding social innovation: Alter'Incub is the 1<sup>st</sup> Social Innovation Incubator **and** REALIS Centre is the 1<sup>st</sup> **centre** dedicated to social entrepreneurs.

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## I. SNAPSHOT ON FUNDING SOCIAL INNOVATION



Conference led by **Denis Stokkink**, Chairman of the Think & Do TANK POUR LA SOLIDARITÉ, with **Nicolas Hazard**, Chairman of Le COMPTOIR DE L'INNOVATION, **Nadine Richez-Battesti**, senior lecturer in Economics at the AIX-MARSEILLE UNIVERSITY, **Gunnar Glänzel**, Researcher at the Centre for Social Innovation of Heidelberg (Germany) and **Fiorenza Lipparini**, co-managing director of PLUSVALUE (UK).

In France, Social Innovation became a key concept very early **compared to** other countries such as Great-Britain or **the** United States. It can be partially credited to the weight that Social and Solidarity Economy (SSE) **has represented** in our country for many decades.

This long tradition **has** encouraged the birth of social entrepreneurship, as well as the conviction shared by both players from **the** SSE movement or not, that social entrepreneurship is economically viable.

Therefore, during the **80s**, the notion of Social Innovation effectively appeared on the political and economic agendas. Players from then were looking to find answers to the limits and lacks of Welfare State; a model that was not able to satisfy social needs anymore. That is why, Social Innovation was considered as a viable and desirable solution.

**The financial crisis of 2009 favoured the reemergence of the Social Innovation concept.** However, it was re-characterized according to the vision and values of SSE. Today, “social innovation consists in the elaboration of new answers to wrongly or badly satisfied social needs, with the **involvement** and cooperation of all stake holders”. Two approaches may be **shaped**:

- ❖ **The inclusive approach, favoured** in Europe: it aims to include all excluded people, through their reinsertion on the job market.
- ❖ **The approach for a societal change:** based on a collaborative dynamic and on **the use of** products and services. Here, the purpose is to adapt the already existing products, services and their use so **that they meet current social needs more effectively**.

According to **Nadine Richez-Battesti**, following the same logic, two kinds of implementations seem to dram-up: in the north, social innovation expands mainly thanks to entrepreneurship; whereas in the south, it grows mostly in the SSE sector.

Regarding its funding, the TEPSIE<sup>1</sup> team – including **Gunnar Glänzel**, researcher at the CENTER FOR SOCIAL INVESTMENT of Heidelberg – has led a survey among several socially innovative enterprises and project in order to reply to the subsequent questions:

How to improve social investment? **How to encourage capital flow through social innovation?** To respond, the team of researchers has driven more than 60 interviews and surveys. Two questions were asked:

1. What type of capital do social innovation entrepreneurs wish to raise?
2. What amount would they be ready to pay for a loan?

Looking at the answers, especially from the second question, brings a beginning of thought towards social innovation funding. Indeed, it was noticed that social innovation entrepreneurs are currently not able to evolve out of the financing scheme usually offered to them (mainly interest free loans or very low interest rate, grants...etc). Getting out of this scheme and offering them a type of social impact investment – and the associated interest rates, higher than the current offers – would apply a double, unmanageable pressure on them: a **societal pressure** (expected return on societal impact) and a **financial one** similar to the market logic (return on investment).

That is why it seems premature to implement traditional, private funding tools for social innovation entrepreneurs. **Social Impact Investment**, that follows this goal, **does not currently** answer the funding **needs** communicated by social innovation players from the field. Therefore, it has been noticed that despite their plurality, existing financing tools do not fully respond to the need expressed by socially innovative enterprises, themselves very diversified. The matching between the needs and the offers is not fulfilled.

At the European level, social innovation enforced itself slowly on the European agenda. That is why **European programmes focused on the issue of its financing**; on one side by financing research and on the other side by funding directly social entrepreneurship or companies and organisations from the SSE, according to each country's tradition.

Regarding research, a scholar from the University of Dortmund has pointed out that European policies presently finance 17 projects focusing on social innovation, for an amount **of 40 million euros**. The choice of the European Union to emphasise social innovation is clearly established here. One of the main programmes is the renewed Cohesion Policy. However, even though social innovation is explicitly identified within the existing social enterprises and organisations from the SSE, **European funds are more often granted to new initiatives than already existing ventures**. Thus, scholars and players from the field highlight

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<sup>1</sup> Theoretical, Empirical and Policy Foundations for Social Innovation in Europe.

TEPSIE is a consortium of 6 partners that has designed a research programme which aims to prepare the way for developing the tools, methods and policies which will be part of the EU strategy for social innovation.

the barriers to find European public funds that will be used to scale up their companies/projects, way more risky financially speaking.

According to **Fiorenza Lipparini**, co-managing director of *PLUSVALUE*, in some countries, public institutions act to reorient those funds towards scale change. Portugal is one of those, where the Council of Ministers implemented an initiative for social innovation of 150 million euros – amount coming from European structural funds. The purpose is to promote and disseminate innovative solutions, in order to tackle social issues, especially thanks to the modernisation of social security, of education and of the regional development system.

We can schematically distinguish public institutions encouraging the development of social finance (UK, Portugal and European institutions for example) from those who don't (Italy, France, Spain...etc). **Fiorenza Lipparini** emphasises the fact that the real challenge is about aligning private and public interests for the creation of public goods, including social services, education, healthcare, but also energy or digital services, just to name a few.

The true challenge to develop social innovation funding is to overcome cultural and political barriers to **enable collaboration among sectors** for the common good. In this sense, coordinating and orienting **a multi-stakeholder approach** to social innovation funding and public service delivery, while **putting forward the right governance models** to safeguard accessibility, availability and quality of services, is the great challenge ahead for public social innovation agendas.

## II. PRESENTATION IN PLENARY SESSION AND WORKSHOPS

### PRESENTATION OF INTERNATIONAL ORGANISATIONS ATTENDING THE CONFERENCE

#### MUD JEANS (Pays-Bas)

With Bert Van Son, founder

**Bert Van Son**, founder of *MUD JEANS*, has more than 30 years



of experience in the textile industry. From this experience, he has built strong convictions regarding its operation model and the ethic of this sector: polluting industry, wasting and producing too much waste. MUD JEANS aims to rectify this by offering an alternative economic model: **“Lease a Jean”**. The idea is to allow the consumer to lease jeans for a year and to renew the contract, buy or resend the jeans to the company once they don't use it anymore. Consumers may also buy the jeans directly and commit to resend it once **they** don't or can't wear it anymore. A repair service is associated to the lease and the purchase of the jeans, in order to increase the longevity of



the product. Hence, *MUD JEANS* makes fancy and sustainable clothes, following the circular economy model.

To finance its company, **Bert Van Son** led two crowdfunding campaigns, on two different platforms regarding the savers and the projects financed: One Planet Crowd and Kickstarter.

### GOTEO (Spain)

With **Enric Senabre**, co-founder

*GOTEO* is an open data and non-lucrative Spanish crowdfunding platform. Four years of research were needed before launching the platform. **The founders consider crowdfunding is a deeply collective movement**, where the financial aspect is just a part of a way larger service that aims to find adequate replies to entrepreneurs' needs.



According to **Enric Senabre**, crowdfunding allows to lead **a full scale test of the viability of the product**. People's interest for crowdfunding goes further than the unique financial aspect. Crowdfunding offers humane contributions, such as skills support

or materials loan.

*GOTEO* follows clear principles in order to ensure its right functioning:

- ❖ An open data website
- ❖ A horizontal governance ensuring optimal communication within and between teams
- ❖ A maximum transparency with the publication of all documents regarding economic results

*GOTEO's* development permits to decrease the company's commission from 8 to 4%. Moreover, the company wishes to extend its impacts and disseminate its model through the publication of all studies and trainings, yearly reports and good practices reports. Finally, the platform attaches great importance to entrepreneurs and savers' feedbacks, in order to improve their services.

### SHIP2BE (Spain)

With **Miquel Mascort Reig**,

**Founder and CEO of THINGS2HELP**

*THINGS2HELP* is a social company fighting poverty. This web platform allows everybody to sell their objects and **uses a part of its benefits to finance social causes**. The company also has numerous partners from the market sector who support those projects.



**Miquel Mascort Reig**, founder of *THINGS2HELP*, benefited from the accelerator programme *SHIP2BE*, located in Barcelona, which helped him in his search for funding.

*SHIP2BE* aspires to **develop the potential of companies and high social impact investments**. The programme can be phased in 3 parts:



- ❖ B-challenge, focusing on innovation
- ❖ B-ready, that aims to accelerate the company's development
- ❖ B-invest, that looks to find the right funding

All along these 3 phases, **financers from the SHIP2BE Foundation follow the progress of the projects.** The investors' community of SHIP2BE gathers a large panel (454 members), with a smaller member group of 54 enterprises and individuals, paying an annual fee: they form the "B-Funders".

SHIP2BE also has its own fund of 1.5 million euros. All along the process, numerous partnerships with corporate CEO and directors and experts offer a rigorous follow up of the projects of the accelerator programme.

### **Presentation of the CSR strategy and public-private-third sector partnerships**

**With Fiorenza Lipparini,**

**Co-managing Director of PLUSVALUE (UK)**

PLUSVALUE is a London-based research organisation and advisory firm which mission is **to align public, private and third sector interests for the common good.** Fiorenza Lipparini came to present these types of partnerships, as a mean of social innovation financing, as well as the **Corporate Societal Responsibility policies** implemented by many large companies (Barclay, Telefonica...etc). The goal for these enterprises is to acquire innovative products and services which they can't produce in-house.

As an example the CSR policy of Barclay puts social innovation in the centre of its action: the company developed programmes to encourage its own employees to build up their socially innovative ideas, through their accelerator « Barclay's Social Innovation Facility ». In Italy, Telefonica has also settled an accelerator programme of socially innovative enterprises.



About public-private-third sector partnerships, **an Italian example, the San Patrignano Foundation shows the benefits that this kind of partnerships can generate.** This Foundation serves for the integration and the rehabilitation of drug addicts, with a free hosting and training programme. Thanks to a partnership with the Esperia Bank, the San Patrignano Fund has been created and is now managed by the bank. The Esperia Bank charges low management fees, 1% of the net asset value –way lower than many other Italian Funds, increasing the attractiveness of the San Patrignano fund for investors- of which 0.5% is granted to the San Patrignano organisation.

### **Presentation of the Social Impact Bond**

**With Peter Ramsden, General Manager of FREISS LTD (UK)**

The Social Impact Bonds (SIB) are a financial tool launched by the British government in order to finance social





innovation. In a financial crisis context, a renewed interest has been growing for innovative financial models. According to *Investopaedia*, the SIB are “ a contract with the **public sector or governing authority, whereby it pays for better social outcomes in certain areas and passes on part of the savings achieved to investors**”. This kind of investment was implemented in **eleven different countries**: Australia, Belgium, Canada, Germany, Ireland, the Netherlands, South Korea, Switzerland, Portugal, the UK and the USA. **The SIB targets various sectors** such as youth employment, migrants’ insertion in the job market, recidivism, homeless people...etc.

A successful example is the “Street Impact” programme of the organisation *St Mungo’s Broadway*. This is a solid, known organisation that employs 1 700 people. It implemented a programme for homeless people in order to stabilise their situation and encourage their reintegration. The criteria to benefit from this project are the following:

- ❖ Seen sleeping rough and/or stayed in a London rough sleeping hostel in the last three months
- ❖ And seen rough sleeping at least six times over the last two years

Financed by the SIB, this programme obtained the following results:

- ❖ Reduced rough sleeping by 25%
- ❖ Sustained stable accommodation by 40%
- ❖ Sustained reconnection out of UK by 25%
- ❖ Employability and employment increased by 5%
- ❖ Better managed health for 5% of them

About the SIB, the innovation can be found in several aspects:

- ❖ SIBs do not specify the intervention model referring only to outcomes/results
- ❖ Most of the practices were already known, but often had not been applied at this scale or in combination
- ❖ Much of the innovation is in the packaging, coordination and integration of services
- ❖ The coaches’ important role results in trustful relationships between actors and helps to achieve common goals

**The evaluation method also differs** with the use of external evaluators **throughout the contract rather than ex-post**. Moreover, **results and result indicators are defined meticulously**.

Therefore, SIBs **are considered as an attractive solution** during a period of crisis of the welfare State, **but they are controversial**. There is a strong argument for pilots and innovation in areas of policy failure or poor performance. But they are a niche model, expensive to set up and probably only appropriate for larger Social enterprises

## V@SI

With Aline Herbinet, co-founder

V@SI is a young, academic and innovative enterprise of 15 employees with long term contracts, which just celebrated its 3<sup>rd</sup> year of existence. It is incubated by the REALIS Centre, regional incubator dedicated to social enterprises and the Transferts LR agency, regional agency for innovation. This company maintains **strong bonds with research**. V@SI aims to better the health, the quality of life and the social ties of people suffering from



multiple sclerosis and their helpers. Thanks to their web platform SAPATIC, certified sport instructors are able to provide Adaptable Physical Activities (APA), through videoconferencing. Their clients are mainly hospitals and

health mutual funds.

**The company has just organised a fundraiser and has raised 400 000 Euros**, gathering 3 French organisations: France Active, Le Comptoir de l'Innovation and the Languedoc-Roussillon branch of the Social Innovation Found (LR-SIF). **V@SI is the first company to benefit from the LR-SIF in France**, for an amount of 100 000 Euros. This sum will be used to elaborate value proposition for the evaluation of its programme, in order to prove the positive cost/efficiency rate.

## WORKSHOP #1: CROWDFUNDING, NEW SOURCES OF FINANCING?



With **Bert Van Son**, founder of MUD JEANS (Netherlands), **Enric Senabre Hidalgo**, co-founder of GOTEQ (Spain), **Laetitia Leonard**, director of l'AIRDIE, **Michel Kaluszynski**, chief operating officer at WISEED and **Muriel Decout**, member of the Executive Board of ETHIQUABLE. This workshop was led by **Vincent De Coninck**, from the European network BENISI. The report on this workshop has been done by **Alenka Doulain**, from ENERCOOP and **Thomas Guerin**, Social Innovation Head for l'ARIL, in partnership with the CRESS PACA.

With the booming of crowdfunding, we can see that this type of financing replies indeed to a need from social innovation entrepreneurs. A plurality of crowdfunding products exists, that we can gather in 2 types:

- ❖ The donation and reward platforms
- ❖ Loan or capital contribution platforms

Each type of crowdfunding matches different needs and **requires specific involvement** regarding the mobilisation of the company and the duration of the support from the platform. Each platform generally offers one type of crowdfunding: prior study of the various offers is essential in order to choose the one that matches with your needs, but also your activity sector, the savers you target, as well as the scale of the project (start-up or growth). The most recent example in France is the creation of **specific tools for the crowdfunding campaigns of cooperative enterprises**. The particularities of their status pushed the platform WISEED (France) to implement for the first time a unique crowdfunding offer for these cooperatives enterprises. The SCOP<sup>2</sup> *ETHIQUABLE* is the first to benefit from this offer. Operating in the fair trade sector, the company has a high working capital need that it can now fulfil thanks to crowdfunding, through the issuance of bonds that do not include the right to vote.

**Enric Senabre** from *GOTEO* reminds us that once the type of crowdfunding needed is diagnosed, **campaigns also give the opportunity to operate a full scale test** of the product/service and therefore its attractiveness from the consumers' point of view. It may also permit to renew your communication strategy and/or the positioning of your offer. Thus, he considers **crowdfunding as a larger trend than only the financial aspect**: use of the skills of the 1<sup>st</sup> circle of investors, communication, visibility...etc. This aspect was precisely noticed by **Bert Van Son** from *MUD JEANS*. His first reward campaign took place on the platform One Planet Crowd in 2013. This platform is specifically oriented for sustainable and social projects. **It was a massive success** with more than 51 000 Euros harvested, while he was asking for 45 000 Euros, and allowed him to start his first production of 500 jeans. The second one in 2014, also a reward campaign, was on the platform Kickstarter dedicated to creative projects. The goal was not reached as 30 000 Euros were asked and he could only obtain 12 613 Euros.

From those two experiences, **Bert Van Son draws its conclusions**: he underlines the fact that preparation and marketing are crucial factors in the success of a campaign. A third campaign will soon be launched by *MUD JEANS*.

Of course, **this financial tool has its own constraints**. The first concern is the **clarity of the existing panel of platforms**. There is a multitude of platforms, each one corresponding to specific needs, sometimes even by activity sector. In order to better the visibility, *AIRDIE* the regional branch of the French micro finance association *France Active*, conducts studies and is able to help entrepreneurs in their choice. Moreover, the French Financial Market Authorities (FMA), wrote a guide<sup>3</sup> about crowdfunding, in order to help project leaders to choose.

Another constraint is the transparency **imperative as well as vulgarisation**. Indeed, the entrepreneur will have to explain his project and his financial plan to more or less hardened

<sup>2</sup> Cooperative and participatory enterprise

<sup>3</sup> [Guide du crowdfunding](#)

investors. This requirement of transparency applies both before and after the campaign: the funds use as well as the project impact must be published; it can even sometimes be contractual.

Finally, **the human cost for the enterprise must not be minimised**. Because of the continuous requirement to attract its first, second and even third circles, because of the adaptation need, the qualification of the project...etc., crowdfunding demands high human investments. Here, the role of the support team is crucial as it enlivens the network, helps in the qualification of the project and manages the collective aspect. Creating a strong bond with the savers is also a must. **Bert Van Son** from *MUD JEANS* declares that savers are looking for common projects, in which they can be involved. He explains the failure of his second campaign by the fact that he did not identify the right crowdfunding platform matching his needs and therefore didn't target the right kind of savers.

That is why, it is mandatory to evaluate the gains (financial, marketing, skills...)/costs (human specifically) rate upstream. Lots of enterprises underestimate this aspect provoking the failure of their campaign; not because the consumers are not attracted by the projects, but really by lack of communication and mobilisation centring the projects. What must also be remembered is that crowdfunding is complementary from private and public funding and it must occur during a precise time in order to obtain what is expected (i.e. full scale test).

Some potential evolutions must be studied in order to make this tool even more accessible and appealing:

- ❖ A greater visibility of platforms and offers (label, certification...etc)
- ❖ A study on the complementarities of financings (when does this type of financing create a lever effect? For which product(s), sector(s) is it suitable? ...etc)
- ❖ An in depth study about the savers is crucial because of their diversity and because they also have difficulties to choose the right platform themselves.

## WORKSHOP#2: PRIVATE FUNDING, WHICH TOOLS FOR SOCIAL INNOVATION?



With **Fiorenza Lipparini**, co-managing director of PLUSVALUE (UK), **Miquel Mascort Reig**, co-founder of THINGS2HELP (Spain), **Louis Lippi**, Regional Chairman of the MACIF FOUNDATION and **Nicolas Hazard**, Chairman of LE COMPTOIR DE L'INNOVATION INVESTISSEMENT. This workshop was led by **Farbod Khansari**, head of programme at l'AVISE. The report on this workshop has been done by **Gisèle Crousier**, from GCM EXPERT and **Laurent Rodrigues**, director of CLEANING BIO 34.



The private sector finances social innovation in different ways: subventions, donations, loans, capital contribution, convertible loans...etc. In any case, financing is **combined with accompaniment** through counselling, trainings, financial follow up, characterisation of the economic model... All structures from private financing (foundations, investment funds, business angels...) establish criteria for the selection of the projects. **The main ones are:**

- ❖ Being socially innovative
- ❖ Having a business plan (market studies, clients...)
- ❖ Having partnerships
- ❖ Being supported by an incubator
- ❖ Having a sustainable and economically viable project

Regarding *LE COMPTOIR DE L'INNOVATION*, this investment fund of 40 million euros intervenes during the development phase of the company: its change of scale. The financing standards are:

- ❖ Capital contribution (equity, quasi-equity)
- ❖ Always minority
- ❖ Amounts invested by the found between 300 000 and 2 million euros
- ❖ Duration of the investment between 5 and 7 years

To be chosen, **a project will be evaluated regarding 600 criteria** (half of them being non-financial ones) that **aim to measure the economic viability** – its capacity to create wealth in the short, mid and long term- and to measure **its expected social impact**. These criteria are not all available, but priorities are fixed by region, activity sector ... They are adapted according to situations and needs. These criteria are analysed within two committees: the one that measures the social impact and the commitment committee. Since its creation in 2009, *LE COMPTOIR DE L'INNOVATION* financed 25 projects such as *ETHIQUABLE*.

The *MACIF FOUNDATION* has existed for 20 years and its support represents today almost 30 million euros. This foundation has been oriented on social innovation projects since 2007. **The subventions granted** concern all sectors of activity (mobility, habitation, solidarity...) and **aim to secure the projects**. By project, the amount ranges from 3 000 to 30 000 euros, with an average of 15 000 euros. For the Languedoc-Roussillon Region, the annual budget is around 160 000 Euros. The *MACIF FOUNDATION* goes further and also accompanies the projects in order to maximise their chances of survival. Of course, to be financed by the *MACIF FOUNDATION*, the project needs to respond to the scope of the proposal, must be socially innovative and must be replicable.

*THINGS2HELP* is a peer to peer platform that sales objects and which **redistributes part of its benefits to finance social causes**. This enterprise benefited from the **support programme of SHIP2BE, especially with training and financing**. *SHIP2BE* allows enterprises that it supports to be financed by **business angels**. Hence, financiers can invest in a project with high social aspects, combined with tax benefits. *SHIP2BE* activates its network of individual private

investors that are looking to add sense in their investments. **Entrepreneurs are also accompanied all along the process.**

*PLUSVALUE* is a counselling agency and research firm that focuses on public-private-third sector partnerships and which purpose is to boost socially innovative initiatives. As an example, **Fiorenza Lipparini**, co-managing director, could lead researches on two young Italian entrepreneurs willing to find solutions to waste management issues in Italy. Thanks to a technological innovation, a €12 million offer could be developed. To finance their projects, a financial institution launched bonds – following the same guidelines as the British SIB- lowering the risks for investors. **It allows this institution better their image** by supporting a project of public service, **while minimising risks** thanks to the SIB. **This project is a good example of private-public-third sector partnerships to finance social services through private funds.**

Regarding all experiences described here, we can see that **most of financial means** made available for social innovation **combine public and private funds**. A lot of **private institutions mostly finance scaling change** of social innovation enterprises whereas European funds focus on new initiatives and start up, with lower amounts of investment and therefore, less risk taken.

## WORKSHOP #3: PUBLIC AUTHORITIES, A LEVER TO FINANCE SOCIAL INNOVATION?



With **Aline Herbinet**, co-founder of the enterprise V@SI, **Peter Ramsden**, général manager of FREISS LTD, **Dominique Picard**, project director at the Economics and Social Cohesion department of LA CAISSE DES DEPÔTS ET CONSIGNATIONS, **Laure Lenzotti**, head of the seed found of CREALIA and **Nicolas Merle**, regional representative for innovation at BPI FRANCE. The workshop was led by **Emmanuel Salih-Alj**, head of financial tools for the Languedoc-Roussillon Region. The report on this workshop has been done by **Anne Portal**, Technical advisor at TRANSFERS LR and **Emilie Masselot**, Social Innovation Head Officer at URSCOP MR (Catalis).

**The development of structures dedicated to supporting** social innovation, such as here in the Languedoc-Roussillon Region with Alter'Incub -1st incubator devoted to socially

innovative enterprises- and the REALIS centre -first incubator for young enterprises in the SSE sector- has enabled us to understand the entrepreneurs' financial needs more precisely. Until now, there was no financial tool dedicated to socially innovative enterprises. A major change is currently occurring, with for example the creation **of the Social Innovation Fund (SIF)**, for which the Languedoc-Roussillon Region is one of the experimentation regions. The financial needs of socially innovative companies are very similar to those of technologically innovative enterprises and apply during all the development phases of the projects: initiative, research and development, scale change.

That is why we can notice an **evolution of the financings of usual innovation towards social innovation**: existing tools open up slowly to social innovation. That is the case of the seed fund *CREALIA*, which opened up to social innovation enterprises in 2010, 5 years after its creation. This fund, abounded by public financings, has the distinctive feature of granting what we call "Prêt d'honneur" (interest free loan, where no personal financial contribution is needed) in order to reinforce the equities of the company. This opening to social innovation allowed companies from this sector to find an interlocutor for seed loan, precisely where banks do not grant loans. Like many other organisations usually oriented to use and technological innovation, the **enlargement to social innovation required internal training for CREALIA staff**.

So we can note that the role of supporting organisations is essential to collect information. They must be integrated in the construction of financial needs, in order to effectively respond to needs from the field.

The **role of public authorities** can be seen through two main angles:

- ❖ They **support financial tools** carried by local structures (Créalía, bpi France...etc)
- ❖ They **encourage financiers of traditional innovation to open up to social innovation** and can act as a lever effect to attract private funding later on.

Structures receiving money from public funds act during different stages of the enterprise's development. Therefore, LA *CAISSE DES DEPÔTS ET CONSIGNATIONS (CDC)* acts in favour of companies through two channels:

- ❖ The head of networks, on a national level
- ❖ Side by side with local authorities, on a regional level

Responding to the British idea that the French authorities finance social innovation only via subventions, the CDC proves that other forms of financing exist: the CDC intervenes in the phase of scale change of socially innovative enterprises. This organisation, as well as the SIF or the CREALIA seed fund, operates by using investments (seed loans, repayable advances...etc) and no subvention is granted.

Another key player of the funding of social innovation is *BPI FRANCE*. By creating the Social Innovation Fund (SIF), we have another example of the opening of traditional tools towards social innovation, proving once again that this type of innovation is attractive as it responds to strong societal needs. Deeply rooted in the field of entrepreneurship, *BPI FRANCE* nevertheless needed to train its staff to social innovation and this process is still ongoing. The **SIF is credited in co-financing** and is always combined with other private funding (by loans, equity...). The SIF financings aim to **support the Research and Development phase** of the innovation, to test the viability of the project, therefore implying a risk and a characterization of these risks. *BPI FRANCE* takes into account the success or the failure of the project; if the project fails, the amount that is due will be adapted. Still in the experimentation phase, the **SIF granted its 1<sup>st</sup> national financing to the socially innovative enterprise V@SI.**

V@SI is a young, academic enterprise that was created three years ago. It is the first year that its leaders have decided to solicit financial tools; previously, the enterprise would run only on contracts. **Aline Herbinet**, co-founder, highlights the leading role of the organisations that have supported her company for a year: the REALIS centre, regional incubator for companies in the SSE sector and Transferts LR, regional agency for innovation in Languedoc-Roussillon. **Aline Herbinet** details her financial plan and explains that she solicited France Active and Le *COMPTOIR DE L'INNOVATION INVESTISSEMENT* in order to increase the company's equities and therefore be able to request the SIF later on. V@SI was also able to benefit from tax deduction, thanks to its status of Young Academic Enterprise. Finally, it seems important to note that targeting European funds is more demanding and the need of equities even greater. Filling in these files to **obtain public funds** –national or European- is **very complex but it is a good exercise and it is necessary** to encourage partnerships.

British authorities have decided to follow a different logic. **The Social Impact Bonds are a device that allows delegating a public service to an operator that will be paid regarding its results.** As **Peter Ramsden**, general director of *FREISS LTD*, explains to us, the action of the operators of social innovation is therefore based on the obligation of results, contrary to the French logic, lying mostly on the obligation of means. Particularly, organisations financed by French public authorities must implement all the necessary means for financed actions to be successful.

**In Great Britain**, there is a **will to share the risks between public funders and financed organisations.** Therewith, structures will only receive the entire amount of the public funding if the action reaches the goals initially fixed.

In France, some obstacles remain and prevent the development of such an ecosystem. Some solutions could be:



- ❖ Improvement of the public markets, on a local level, that need to open up to non-lucrative enterprises of social innovation
- ❖ Tax deductions for investors that take risks in order to finance social innovation
- ❖ A Social Investment Bank that would use the sleeping funds, which is what financed the 1<sup>st</sup> SIB in UK
- ❖ Evaluation and transparency regarding the comparison of the cost of social services ensured by private or public sector

There, **Peter Ramsden** launches the idea that France should open up to markets in order to finance its public services linked to social innovation, while remaining conscious of the risk that it involves. In the recent crisis, the service provided by the public sector has been too ineffective and the current context of heavy deficits burdens on public services.

To conclude, it seems that **the access to public markets is still too strict** to allow socially innovative structures to participate. A modification of the public markets code is an interesting beginning to develop the support of public authorities towards this sector.

### III. CHALLENGES AND PROSPECTS OF FINANCING SOCIAL INNOVATION

What remains from these workshops is that **socially innovative enterprises must combine private and public funding and possibly crowdfunding**, according to their means and abilities to follow a crowdfunding campaign, **to finance themselves**. That is the case of the enterprise *V@SI* that used different social innovation financing from actors coming from private and public organisations.

Likewise, **the financial strategy** of enterprises and socially innovative organisations **must take into account the lever effects induced by each type of financing**. On this matter, researches are still needed in order to better identify the phases and clarify the temporality of adequate financial tools to finance their actions. Indeed, the private sector seems shyer to finance the seed phase, where the continuity of the project is not 100% insured; that is why it is precisely during this phase that public authorities can and must act in order to favour the effective creation of these initiatives.

**The approach favouring the development of social finance, like in Great Britain with the Social Impact Bond**, implies that the public service relies on private enterprises to respond to these societal issues such as reinsertion, youth unemployment... Currently, this approach **seems hardly appropriate on our territory, especially for political and cultural reasons**. Public authorities do not wish for now, to follow this logic of paying in function of the results as it might be perceived as a renunciation to take over social issues. Therefore, the right ecosystem for such a development does not exist nowadays. This would require implementing a legislative framework beforehand that would flank the distribution of the created value. With the Social and Solidarity Economy law of July 2014, French public

authorities choose to **create specific tools to finance social innovation** (The Social Innovation Fund of bpi France).

To conclude, even though social innovation financing still need to be structured and evolve to better respond to enterprises' needs at each level, social entrepreneurship is now inescapable during European debates and its attraction to meet answers concerning social causes is established.

**The European Union Luxembourg Presidency reaffirmed the value of social entrepreneurship as a pillar to get out of the crisis** and the Slovak Presidency has announced the will to pursue this logic by encouraging the Social and Solidarity Economy and in particular, social entrepreneurship.

Many European events have been written on the agenda, gathering players from the civil society and economic and political players, such as during the conference “ Boosting Social Enterprises in Europe” that took place on the 3<sup>rd</sup> and 4<sup>th</sup> of December, 2015 in Brussels (Belgium).



**Thank you all for contributing to the success of the event!**

## OFFICIAL AGREEMENT ON THE FINANCIAL PLAN OF THE ENTERPRISE V@SI, THE 1<sup>st</sup> TO BENEFIT FROM THE SOCIAL INNOVATION FUND IN FRANCE



During the International Conference, we had the pleasure to assist to the official agreement of the financial plan of the socially innovative enterprise V@SI, the 1<sup>st</sup> to benefit from the Social Innovation Fund in France under the form of a repayable advance of €100.000. The company will develop a programme of Adapted Physical Activities with people suffering from multiple sclerosis.

The company is supported by REALIS, a regional center dedicated to social and solidarity economy and member of Synersud. It has been able to raise €400.000, after arousing the following financial backer's interest

- Bpi France, represented by its Regional Director, Nadine Faedo
- France Active, represented by the director of l'AIRDIE, Laetitia Leonard
- Le Comptoir de l'Innovation Investissement, represented by its Chairman Nicolas Hazard (who is also the sponsor of the second edition of the International Conference on Social Innovation)
- The Languedoc-Roussillon Region, represented by its Vice-Chairwoman Marie Meunier, in charge of Transportation