

# EUROPEAN ROADMAP CONSULTATION ON THE EU ACTION PLAN FOR SOCIAL ECONOMY

## *CONTRIBUTION BY FEBEA EUROPEAN FEDERATION OF ETHICAL AND ALTERNATIVE BANKS AND FINANCIERS*

### Stating the problem

FEBEA is the European Federation of Ethical Banks and Alternative Financiers ([febea.org](https://febea.org)). We are a network of 30 financial actors from 15 European countries and our main focus during the last two decades has been supporting, financing and contributing to the development of the Social Economy in Europe.

We are also a member of Social Economy Europe (<https://www.socialeconomy.eu.org/>) and support its efforts to develop a strong Social Economy sector in Europe as the basis on which to build the inclusive, green and resilient economy that Europe needs.

As Ethical Financiers we particularly value the importance of the social economy in Europe as a sector that creates economic growth and quality employment, that has a clear positive social impact for communities and local development, and a positive environmental impact contributing to combat climate change and regenerate the environment. In addition, the social economy has proven its resilience in times of crisis.

Boosting the development of the social economy is certainly one of the best approaches for the EU to materialize the green and inclusive recovery that Europe needs after the shock of the COVID-19 pandemic. Doing so through the development of the social economy is also a very effective way of including citizens and communities in the efforts of the EU.

Furthermore, the social economy sector can greatly benefit from the digitalization agenda promoted by the EU, which can boost this innovative sector by nature in terms of efficiency in the use of resources, productivity and social impact.

We also find that there is a strong correlation between the development of social economy and ethical finance in Europe. Not by chance the countries where social economy is more developed are those where Ethical Financiers are also more active in financing this sector and supporting its development. We are convinced that by creating enabling ecosystems for the development of social economy we can ensure that this sector grows in other EU member states where it is less developed today.

One of the factors in our view that can contribute to develop this enabling ecosystem is ensuring that there is an offer of social financial services in each member state that is adapted to the needs of the social economy sector. This offer currently provided by Ethical Banks and other mission-oriented financiers is well developed in countries such as France, Italy, Spain or Belgium, but is not widely available everywhere and this limits development potential of the Social Economy Sector at European Level.

The EU Action Plan for the Social Economy can redress this situation by creating and enabling ecosystems from the social finance perspective in all member states, establishing the basis for sustainable growth of the Social economy throughout Europe.

The current offer of financial services for the Social Economy focuses currently on both mature sectors such as large cooperatives, work integration companies, not-for-profits; as well as on emerging realities such as newly created impact oriented social enterprises. The EaSI program through its guarantees has greatly contributed to facilitate access to funds for mature Social Economy organisations.

However, in regards to new social enterprises, there is still plenty that can be done in developing equity instruments that are truly adapted to the needs of social enterprises, namely through patient and affordable funding, to allow those enterprises to take advantage of the opportunities created by a green and digital shift in the European economy and boost their social innovation potential.

Furthermore, great ideas and practices that are developed by the social economy in certain countries are not being replicated in others, this is due partly to lack of knowledge and exchange, but also to lack of financing means to start or develop initiatives. We believe that a combination of developing public procurement markets for Social Economy organisations together with the right offer of financial services that allow social economy organisations to grow can have great impact in the development of the whole sector.

In our view, the financial instruments to develop the social economy, must foresee much more equity than guarantees in the future and a patient capital approach, must promote much more collaboration among like-minded financiers such as foundations, impact investors, ethical banks and financiers and fintechs. In addition, European funding can facilitate the creation of new Greenfield

social finance organizations in countries or regions where there is no social finance in order to catalyze such collaborations and extend the offer of social finance to the social economy sector.

## Opportunities

The European Plan for the Social Economy presents as well in our view important opportunities for the European Union itself.

- ⇒ Developing the social economy will contribute to accelerate the transition towards an economic model based on inclusion and sustainability and towards a better society for all.
- ⇒ Due to its social base and inclusive approach, developing the social economy can help reconnect citizens with the European project, from which they often feel disconnected.
- ⇒ The development of the social economy can also contribute in many areas of Europe to unlock the potential of collective entrepreneurship and its contribution in terms job creation, economic growth, social inclusion, local development and regeneration of the environment.
- ⇒ Social innovation which is the founding base of the social economy, can be developed to its full potential by fostering social economy development. This can help reap new opportunities presented by the digitalization of the economy and contribute to generate new forms of inclusive entrepreneurship among young people, underprivileged groups, migrants, women and minorities.
- ⇒ Local development can also be greatly enhanced through social economy, contributing to create prosperous communities, bringing sustainable development also outside of cities and helping rebuild the economic and social tissue in rural areas.
- ⇒ Increased social cohesion is a very important output of the social economy. Europe will need in the future as many quality jobs, social enterprises and social economy organisations working for the common goods as possible, in the face of a growing uberisation of the job market, automatization and growing precariousness of the working conditions of Europeans. The social economy can greatly counter this trend.
- ⇒ After a pandemic that has hit Europe and the world very hard in terms of lives lost, livelihoods destroyed and economic downturn, the social economy can ensure that the recovery in the years to come is based on citizen engagement, solidarity, resilience and wellbeing of citizens.

From the perspective of the Ethical Finance actors in Europe, the efforts that the EU will devote towards building a strong social economy sector, will not only contribute to make the economy



more inclusive and resilient or help redress and regenerate our ecosystems, they will help build a better Europe for the next generations to come.

## Proposals

As a proud member of Social Economy Europe, FEBEA endorses of course its proposals to develop the social economy in all of its aspects. In our particular contribution here, we would like to limit our specific proposals to the area of finance, the area in which we have not only a specific expertise but also two decades of ethical finance experience and the examples of 30 members throughout Europe.

- 1) Investing in the development of Ethical finance throughout Europe, to ensure the parallel and sustained development of the social economy in all member states. It is much more effective for the EU institutions to base the development of the social economy on financial instruments and enabling ecosystems. The missing piece is often social financial intermediaries embedded in the social economy sector themselves and that can support its development overtime.
- 2) Focusing financial instruments for the social economy on equity for financial intermediaries, that can liberate their investment potential. Complementing existing guarantee schemes with adapted equity tools can multiply the investment power of most lenders often more constrained by regulation than risk or investment appetite.
- 3) Investing in greenfield social finance institutions in those countries where there is no social finance or it is underdeveloped. This may be done through specific investment vehicles willing to support through equity such greenfield organizations as well as by grants that create incentives for their establishment.
- 4) Increasing citizen participation in social finance initiatives, by creating enabling ecosystems, promoting support for social finance initiatives at national, regional and local level and creating incentives to grow the supply of funds for social finance, by harnessing the potential of mobilizing citizen capital in favor of the social economy. Best practices exist today in Europe, for example in France and Italy, that could be generalized at European level.
- 5) Create incentives for institutional investment in social finance from actors such as pension funds, insurance companies and mutuals and other patient investors and promote their collaboration with social finance actors. With the objective of increasing the supply of social finance in favor of the social economy.
- 6) Improve the existing social finance offer in favor of the social economy by improving the financial instruments of the EU. The excellent guarantee programs developed for social enterprises should be extended in volume, but they can multiply their impact on the social

economy by being complemented with refinancing for financial intermediaries that is priced at market rates and by equity instruments that can support patient investment approaches and provide long term investment for social economy organisations.

- 7) Complementing financial instruments with dedicated funds for non-financial support for social economy organisations, to ensure that each euro invested can be leveraged to create the maximum social and economic impact.
- 8) Multiplying the efficiency of EU and national funds by removing bureaucratic obstacles and cumbersome rules and procedures and eliminating limits in the size and type of social economy organizations eligible for finance.
- 9) Designing the EU Action Plan for the social Economy as the path towards a fully fledged and permanent policy of the EU that remains as a legacy of the EU Action Plan of the Social Economy. The benchmark for that would be the COSME programme, with its fully developed policy for the development of SMEs, its financial instruments and incentives. A similar program for the Social Economy would be for us the end goal of the current EU Action Plan of the Social Economy.

In the documents annexed to this response there are best practices that highlight many of our proposals with concrete examples.

Finally, we would like to stress our conviction that this plan represents a unique opportunity for the EU to change its future economic model, build prosperous and resilient communities, combat climate change and redress the negative effects on the environment and more importantly engage European citizens in being the actors of this change. Rarely is the EU presented with an opportunity to reach so many of its goals with a single new policy.

As Ethical Banks and Financiers we are willing to work along the EU in reaching all of these goals and ensure that the growth of a vibrant, innovative, resilient and inclusive social economy sector becomes a reality for all Europeans in the years to come.