3rd EDITION

IMPACT FINANCE BAROMETER 2023

FINANCIAL SYSTEM, ECONOMIC PLAYERS AND TERRITORIAL CHALLENGES

How to strengthen dialogue and change the profitability paradigm?

"Public money and philanthropy alone will never be enough to bridge the 400 billion dollars annual financing gap needed to achieve the SGSs (Sustainable Development Goals)[1]."

The Global Steering Group's (GSG) conclusion in its latest report, published in May 2023, leaves very little room for doubt. The ecological transition and the fight against global warming require the massive mobilisation of private finance. But as considerable as it is, the financing gap of an average $1000 billion per year by 2023 for the low-income developing countries (LIDCs) represents only 1.1% of the GDP of advanced economies, and only 1.4% of the global economy[2]. A drop in the ocean.

This is no more and no less than a widely shared observation during the Summit on a New Global Financing Pact on 22 and 23 June 2023, where the private sector was called upon to be mobilised for the transition and for the implementation of international taxation, so that the infrastructures of tomorrow will be able to support this transition. Green infrastructure financing needs are currently estimated at around 6,000 billion dollars a year worldwide[3] in part of emerging and developing countries. Despite this, only 1% of financial assets under management are considered related to impact investments[4]. The aim is to reach 10% by 2050.

Everything seems to be converging towards a common view: the funds are there, the financial flows are growing, but we need to channel the investment so that it achieves measurable impact.

This means that the challenge for the next few years is to guide investment flows in the direction of those who can play key roles in achieving the needed ecological and social transition. We also need to measure and account for their social and environmental impacts in a similar way to the manner in which we account for financial profit.

The 2023 Impact Finance Barometer will enable a wide range of players to frame their vision and impact performance in relation to their profit.

We are on the threshold of a major shift from traditional to impact economies – that bring solutions to the great challenges we face. This publication contributes to easing this transition.

Sir Ronald Cohen
President
Global Steering Group (GSG) for Impact Investment

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A BAROMETER BY: CONVERGENCES, ZERO EXCLUSION CARBON POVERTY

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TRENDS IN SOLIDARITY FINANCE

After two years of record growth, the solidarity finance sector is continuing to expand. Solidarity finance links savers looking to give meaning to their money to companies and associations with strong social and environmental benefits, which they finance by subscribing to solidarity savings products. For the FAIR association, this link is materialised by the Finansol label, created in 1997 to distinguish solidarity savings products from other savings products.

This upward trend confirms the ever-growing interest of French people in directing their savings towards projects with a particularly strong social and environmental impact. By 2022, solidarity savings will account for 0.45% of French household savings, compared with 0.41% in 2021 and just 0.29% in 2019. Outstanding solidarity savings reached €26.3bn at 31 December 2022, an increase of 7.4% compared with 2021. This is the 5th best growth in volume (€1.8bn) recorded by FAIR's Social Impact Finance Observatory since the 2008 financial crisis. The loyalty of solidarity savers, the strength of new subscriptions, the labelling of new products and the outperformance of some others have more than offset the slowdowns encountered in 2022 (downturn in the financial markets, end of household oversaving after the health crisis, etc.).

Figure 1: Total solidarity savings (2022)

	2022	Evolution compared with 2021
Total solidarity savings	**€26.3bn**	+ 7.37%
Solidarity bank savings	**€10bn**	+ 5.51%
Solidarity employee savings	**€15.3bn**	+ 8.51%
Savings collected by socially responsible companies	**€1bn**	+ 9%

Solidarity savings are collected through three distinct channels, all of which saw growth in their assets in 2022. First of all, we should note the particular dynamism of socially responsible companies, which have achieved great success in their socially responsible shareholding approach, the possibility given to Social and Solidarity Economy (SSE) companies to open up their capital to citizens (in the form of shares, equity, etc.). These represent the smallest channel in terms of volume (€1bn), but show the strongest growth in relative value (+9%). Growth in solidarity bank savings, the traditional channel for solidarity finance, was lower (+5.51%), but was driven by the dynamism of a few players. Lastly, solidarity employee savings schemes continued to enjoy strong momentum, making the largest contribution to total solidarity savings outstandings, reaching €15.3bn. This growth (+8.51%) has been achieved against a backdrop of declining employee savings in France, according to the Association Française pour la Gestion Financière, which will automatically increase the share of solidarity-based employee savings in total employee savings from 8.4% in 2021 to 9.4% in 2022.

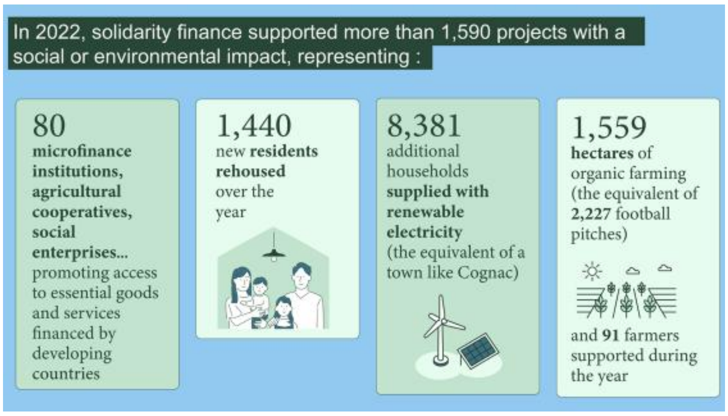
The resources collected from solidarity savings enable investments to be made in activities with a high social and environmental impact. Solidarity finance players invested €841.5M in 2022, representing an increase of 22%. This made it possible to support 1,590 projects with a social or environmental impact. Most of this growth was driven by financing provided by solidarity funds, banks, insurance companies, municipal loans and solidarity financiers (€687.7M; +27%), far ahead of investments made by solidarity companies to fulfil their social mission (€153.4M; +4%). In terms of the destination of these investments, the trends seen last year have been reversed somewhat. Funding for environmental projects has picked up strongly (+114%), ahead of social projects (+5%), which nevertheless remain the main recipients of solidarity finance, accounting for 62% of funding. International solidarity, which enjoyed a particularly strong performance last year as a result of a catch-up effect following the health crisis, saw a slight fall this year (-13%).

"SOLIDARITY FINANCE PLAYERS INVESTED €841.5M IN 2022, REPRESENTING AN INCREASE OF 22%."

These financing and investment flows support the creation and development of activities that generate a positive social and environmental impact that can be measured at the end of the chain. In 2022, 1,440 new people were rehoused by social housing players, 1,559 hectares were converted to organic farming by agricultural landholding companies, 8,381 households were supplied with renewable electricity by community energy players, etc. These results are a direct response to the desire of savers to commit, according to their means, to advancing social and environmental transitions.

In 2022, solidarity finance continued to enjoy strong growth, and this trend is set to continue in the years ahead. Savers' quest for greater meaning, the structuring of the solidarity activity of financial players, an increase in the range of solidarity savings products available, the constant creation or development of social innovation projects to be financed, the support of regulators in the fight against impact washing... these are all positive signals for the future development of solidarity finance.

Camille MANSE
Label Finansol's mission officer
FAIR



KEY FIGURES OF FINANCIAL INCLUSION ACROSS THE WORLD

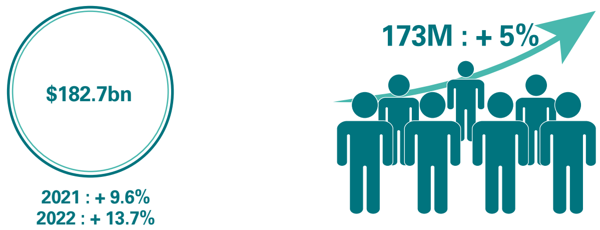
The Impact Finance Barometer, a comprehensive analysis of global financial inclusion, draws upon data sourced from ATLAS (www.atlasdata.org). ATLAS serves as a trusted data platform, hosting validated financial and social impact performance data from the global microfinance market. In this context, let us delve into an insightful review of the sector's main trends witnessed throughout 2022.

Global trends

The global microfinance sector has demonstrated continued growth in 2022 in line with the trends from last year, reaching an estimated total market size of $182.7bn by gross loan portfolio (GLP). Notably, the median growth in GLP by Microfinance Institution (MFI) reached 13.7% in 2022 compared to 9.6% in 2021.

In terms of borrower growth, the total number of borrowers reached 173 million in 2022, marking an average increase of 5% growth at the MFI level. This is close to the annual growth rates observed in 2021 and prior to the pandemic, which ranged from 3.9% to 10.3%.

Gross loan portfolio and borrowers growth in 2022 (worldwide)



In terms of portfolio composition, 56.9% of MFI borrowers were female clients in 2022 compared to 55.1% in 2021, indicating a 1.8% year-on-year increase. Average loan balance as a proportion of GNI (gross national income) per capita also remained relatively stable, with a median of 48.7% and 44.6% in 2021 and 2022 respectively.

Trends in portfolio quality show stability in 2022 compared to 2021. The median portfolio at risk >30 days (PAR 30) remained stable at 4.6%, reflecting a marginal increase of 0.3% from 4.3% in 2021. Overall restructuring remains stable at 1% in 2022 compared to 1.1% in 2021. Moreover, write-offs also show a stable trend with a median write-off ratio for MFIs of 0.6% in 2022 compared to 0.5% in 2021.

Stable year-on-year trends in portfolio quality are also reflected in profitability and the cost of risk. For example, portfolio yield, as measured by GLP, showed a degree of stability at approximately 16.8% to 21.5% in the past 3 years. However, the cost of risk experienced a marginal increase from 1% in 2021 to 1.4% in 2022.

On average at the global level, solvency levels remained relatively stable in 2022. For instance, the median MFI equity to assets ratio was nearly in line with levels in 2021, ranging between 18.3% and 19.3%. There is also a degree of stability beyond the average with the best and worst quartiles trends remaining stable. Despite stability in these trends, there are segments of the market that continue to be exposed to a combination of low portfolio quality, profitability, and solvency.

Regional focus

Regionally, South and Southeast Asia (SSEA) continue to account for a significant proportion of the global market. For instance, approximately 70.6% of all borrowers at the end of 2022 were in the SSEA region compared to 37% of GLP. This reflects the proportionately smaller average loan size in the region, which remains below the global average. Average loan size measured as a percentage of Gross National Income (GNI) per capita stood at 21.1%. Whilst this reflects a year-on-year increase, it nonetheless remains significantly lower than the global median of 39%. In terms of portfolio quality, the Portfolio at Risk >30 days (PAR 30) showed a marginal increase, reaching 4.6% as compared to the previous year (4.3%). Moreover, the median restructured portfolio ratio experienced an increase from 1.1% to 1% between 2021 and 2022.

Latin America and the Caribbean (LAC) maintained their position as the second-largest market in terms of GLP market share at 29.9%, encompassing aggregate number of borrowers of 18.6%. Portfolio quality in the LAC region improved with a PAR 30 of 3.8%, and the restructured portfolio ratio was also reduced to 0.5%. Portfolio yield witnessed an increase, rising to 18.1% in 2022 from 15.8% in 2021, although remaining slightly lower than the global average of 21.5%.

In Sub-Saharan Africa (SSA), the total GLP accounts for 5.0% of the global market and for 6.4% of total borrowers. Nevertheless, MFIs in the SSA region continued to face challenges in terms of portfolio quality, with PAR 30 exceeding the global median at 6.5% in 2022 and displaying a 0.5% increase from the previous year. Solvency levels in the region remained comparable to global levels, with a median equity-to-assets ratio of 17.8%.

Europe and Central Asia (ECA) have a market share of 14.5% in terms of GLP, while the number of borrowers in the region remained stable, representing 2.5% of the global market share. Notably, the ECA region displayed the lowest median PAR 30 (2.1%) compared to other regions.

Conversely, MFIs in the Middle East and North Africa (MENA) region accounted for the smallest market share, comprising 0.4% of global GLP and 1.9% of total borrowers. MENA displayed a higher level of profitability than the global average, with a median portfolio yield of 31.3% in 2022. Furthermore, the equity-to-assets ratio (30.1%) remained moderately higher in both relative and absolute terms compared to the global average (18.3%).

Faisal Akhtar
Data Analyst
MFR

All indicators presented in this analysis are computed based on the data sourced from reporting Microfinance Institutions (MFIs) available in the ATLAS database (www.atlasdata.org). For the purpose of calculations in 2022, data from up to 385 MFIs were included. In the case of metrics such as gross loan portfolio and number of borrowers, a larger dataset comprising of up to 1506 MFIs was utilised. All results are based on the MFIs available in ATLAS.
Aggregate calculations, including medians, are derived from the most recent available MFI data as of 2022, with priority given to the latest month's data. To ensure comprehensive and accurate data coverage, the analysis incorporates information from the previous four years (2019-2022) for metrics like gross loan portfolio and number of borrowers to provide an estimation. The most recent year, for which data is available, is selected to enhance data accuracy. For instance, if an MFI reported data for 2022, that specific value is utilised. However, in cases where data for 2022 or 2021 is not reported, the corresponding values from 2020 or 2019 are employed. Year-on-year growth statistics are reported using a consistent composition of MFIs across the years, ensuring comparability, and maintaining data integrity throughout the analysis. Please be aware that data reported previously may differ due to increased data availability for previous years.

TRANSPARENCY AND ETHICS IN THE FINANCIAL SYSTEM

Today's dominant ethic is the minimal one. It is based on three principles: neutrality, equal consideration, and restricted intervention. This ethic is in fact unconcerned with the various conceptions of good, even when it comes to climate, and gives the same value to everyone's interests, only interfering in cases of flagrant harm caused to others.

As a result, when it comes to regulating the financial system, many central bankers defend the view that climate change is the task of governments (principle of neutrality), monetary policy is not designed to promote certain types of assets over others (principle of equal consideration), and their mission is simply to free up the economy's financing capacity (principle of restricted intervention). Thus, while the current regulatory framework is made up of three pillars, namely minimum capital adequacy requirements (pillar 1), prudential supervision (pillar 2) and market discipline (pillar 3), to date regulators have focused only on the latter component to take account of environmental and social risks. The only measures taken have been to increase transparency, by compelling banks to communicate information on their extra-financial risks, so that the market can take the rational decisions that are needed.

Yet we all know that transparency, which stems from the Calvinist tradition according to which honest people have nothing to hide, is often a pious hope, a pipe dream. It is difficult to say everything, to show everything, to reveal everything, and no one can be expected to tell everyone the truth indiscriminately. While the duty to tell the truth is unconditional, it is not unlimited. Those promising total transparency are at best promising things difficult to live up to during a crisis, and at worst they are entering a vicious cycle that can lead to a mountain of bureaucracy. The General Confederation of Small and Medium-sized Enterprises (CGPME) recently criticised the (potential!) 1,100 indicators in the European Directive on Corporate Social and Environmental Reporting (CSRD).

However, transparency does have the virtue of emulation, as shown by KPMG's latest Pulse of Banking study on the ESG indicators published by the major European banks in their "Pillar 3" reports. While they all communicate on the management of their climate risks, they are not yet fully aligned on common practices. What's more, we learn that their average ratio of assets eligible under the European taxonomy is 30%, which suggests an alignment rate of 3%, while their average exposure to industries considered to be the most polluting corresponds to 2% of their total assets. Finally, it should be noted that only 35% of their loan stock secured by real estate features an energy performance diagnosis.

> "MOST, PROBABLY, OF OUR DECISIONS TO DO SOMETHING POSITIVE, THE FULL CONSEQUENCES OF WHICH WILL BE DRAWN OUT OVER MANY DAYS TO COME, CAN ONLY BE TAKEN AS THE RESULT OF ANIMAL SPIRITS – A SPONTANEOUS URGE TO ACTION RATHER THAN INACTION, AND NOT AS THE OUTCOME OF A WEIGHTED AVERAGE OF QUANTITATIVE BENEFITS MULTIPLIED BY QUANTITATIVE PROBABILITIES"

Such information could prompt financial system regulators to transform the Green Asset Ratio into a "green asset floor", requiring banks to hold a minimum percentage of "aligned" loans or investments, i.e. meeting the technical requirements of the European taxonomy. In a second phase, banks falling below this floor could see their supplementary capital increased automatically, under pillar 2, in line with the perceived risk of holding too many assets carrying a transition risk. Finally, some believe that including climate risks in the minimum capital requirements under Pillar 1 would be the most effective way of penalising "brown" financing and, above all, supporting "green" activities.

We would thus move from a minimal ethic to a virtue ethic, which determines the nature of what is right to do by asking what kind of act a "sustainable" economic agent would perform in such circumstances. In his *General Theory of Employment, Interest and Money*, published in 1936, Keynes points out that, while economic science assumes that individuals are completely rational and omniscient, unaffected by anything other than facts and probabilities, the predominant factor in long-term investment decisions is not probability but uncertainty. Consequently, and contrary to what any rational economic theory teaches us, "Most, probably, of our decisions to do something positive, the full consequences of which will be drawn out over many days to come, can only be taken as the result of animal spirits – a spontaneous urge to action rather than inaction, and not as the outcome of a weighted average of quantitative benefits multiplied by quantitative probabilities."

If we are not pure "homo economicus", in the sense of rational individuals guided solely by facts and probabilities, then the ethics of the financial system could cease to be minimal and it could no longer be regulated solely by rules of transparency. To make the transition to a sustainable economy, we probably need all the components of the current regulatory framework, as part of a virtue ethic.

Jérôme Courcier
Senior Advisor
KPMG

KPMG

ETHICAL SAVINGS: ESSENTIAL TRANSPARENCY IN THE WORLD OF FINANCE

Ethical Financing is still generally unknown to the general public. Whenever the subject is mentioned, you often hear the question "Ethical? How can finance be ethical?" It is true that the financing model with the primary aim of having a positive impact and developing a different, ethical, sustainable and social economy is not the model we hear most about.

We have been actively involved with FADEV since 2005 and our capital is 100% the result of ethical savings. We finance and support small enterprises in four countries in Western and Central Africa: Senegal, Mali, the Ivory Coast and Cameroon. We are a SCIC (Société Cooperative d'Intérêt Collectif - collective interest cooperative company) that invests our members' money. Any person or legal entity can buy shares in FADEV and become a member of the organisation. This allows them to finance African SMEs and to play an active role in managing the SCIC.

"WE AIM TO ALLOW SMEs IN AFRICA, PARTICULARLY IN THE AGRO-FOOD PROCESSING SECTOR, TO DEVELOP (...) "

The transparency of our activities is primordial, and along with traceability, we believe these principles are essential in a sector like finance. Our members must know how their money is used, what financial mechanisms are being implemented, the enterprises in which we invest, how the businesses in our portfolio perform, the ways in which we support these SMEs to help them develop, the difficulties these businesses encounter, and the successes they achieve. We believe that this information should be public for all savings accounts in France, especially for LDDS (Livrets de Développement Durable et Solidaire - sustainable development and social savings accounts) for which it is always difficult to obtain clarification about the purpose of the financial investments.

Ethical savings means that money must be traceable. Where does our money go? FADEV is committed to using its members' savings transparently. Such transparency enables perfect traceability. When you save with FADEV you enter a short-circuit savings economy. You know exactly where your money has been invested, as it doesn't go through intermediaries or generate additional costs. We see transparency of short-circuit money as the most effective means of re-establishing individual and therefore collective responsibility.

FADEV members cite several reasons for investing some of their savings in an ethical enterprise such as ours. First of all, we note their particular interest in Africa and their desire to act to concretely develop West African countries by supporting the local economy. They also wish to invest in a transparent tool where they know how their money will be used, and which allows them to play a role in how it's managed, regardless of the value of their investment.

In order to meet all these requirements, FADEV updates its members regularly, notably through newsletters informing them of every new investment and of the development of the companies in our portfolio. We also produce management reports, annual reports and impact reports. Our members must know where their money is going.

Naturally, and more than ever, we share our members' sense of urgency about the most suitable economic models for our current constraints, in terms of sharing, governance and the environment.

We aim to allow SMEs in Africa, particularly in the agro-food processing sector, to develop in order to help companies wishing to act to secure their country's food security and the region's economic development through the creation and consolidation of employment. Our aim is also to avoid the export of raw material (by plane) for processing at the other end of the world, as it is then re-imported back to the source country as finished products.

"Process more, import less" : such is our motto

FADEV therefore offers its savers the ability to responsibly target their money towards solutions that finance meaningful projects and serve the common good, restoring international solidarity and conscientiousness to financial flows.

We aim to act together, for our common good and in our shared interests.

We all have the power to make sense of how our money is used and to act to achieve a more ethical economy every day.

Alice CASES
Head of communications and private fundraising
FADEV

HOW CAN THE ETHICS THAT CUSTOMERS EXPECT FROM A FINANCIAL INSTITUTION BE PUT INTO PRACTICE?

Over the past few years, the European Investment Bank (EIB) has been regularly publishing a study entitled "The EIB Climate Survey", which explores the feelings, expectations and behaviour of European citizens in the face of growing climate change. The 2022 edition shows that 40% of French people take climate issues into account when choosing a bank or savings vehicle (45% across the 27-member EU). While we are no longer surprised by this trend, it does represent a true revolution in a market where consumer expectations have long been summed up in the sacrosanct triptych of "products - prices - customer service".

For a long time, traditional banks believed that their respectability and age would be enough to turn their customers into captive consumers (and indeed, banking mobility does not exceed 5% a year in our country). But the arrival of new financial players, made possible by intermediary approvals (easier to obtain than a banking licence) and account-keeping platforms (simple and quick to implement), has overturned the established order by placing the emphasis on the customer experience and transforming this theme into a strong differentiator and a factor of multi-banking behaviours. Similarly, over the last few years we have seen a significant change in consumer expectations, with extra-financial criteria at the top of their list of concerns: transparency, environmental impact, social and societal responsibility, etc. While financial players - well encouraged by European regulations - are communicating more and more about the ethical dimension of their business, there is still a gap between declarations of intent and the implementation of ethics in their day-to-day operation.

When helios was conceived by Maeva Courtois and Julia Ménayas, the two co-founders wanted to make their social mission of financing the ecological transition part of their DNA: the company quickly became a mission-driven company in 2020, one of the first in the financial sector! An audit carried out in 2023 by an independent third-party organisation confirmed compliance with its two statutory environmental objectives:

1. promoting environmental protection by raising awareness of the need to combat global warming ;
2. encouraging people to adopt sustainable and eco-friendly financial and savings practices.

This is the first concrete way of building a new model of ethical finance on a day-to-day basis: formulating CSR ambitions and incorporating them natively into the business model.

The second area of work on which financial institutions need to focus is transparency.

This means reporting publicly on the achievement of CSR objectives and the associated resources deployed. The greening of a business model, impact measurement and the transformation roadmap are all subjects on which consumers demand accountability from the bankers or investment funds to which they entrust their savings. This point is all the more important given that the financial markets are currently going through a crisis of confidence over the labelling and classification of so-called "green" investment vehicles. Regulators are keeping a watchful eye and no longer hesitate to take action to alert or penalise those who are not transparent about the true sustainability of their financial instruments.

At helios, we soon decided to assess the impact of our investments, so that an independent expert could confirm the soundness of our customer promise to "clean up the bank". The study carried out in early 2023 confirmed that our accounts were among the lowest CO_2 emitters in France in 2022. It enabled us to provide our customers and prospects with verifiable figures and facts, a complete and transparent report, and reasons to believe in our alternative and sustainable positioning.

Finally, customers are not just looking for information and commitments: they want to become genuine stakeholders. How do we involve them on a day-to-day basis in this sustainable transformation?

- By engaging with them on a regular basis, to better understand their expectations and aspirations, and their perception of the changes already underway;
- By co-constructing tomorrow's products and services with them, in a customer-focused way that takes into account environmental and social issues more broadly;
- By sharing a roadmap with them, enabling them to understand where the company stands, what its priorities are and what the next milestones are.

This is what we have been doing at helios since the start of the adventure, and this way of working certainly enabled us to quickly confirm that we were heading in the right direction. To borrow a famous advertising slogan: "A bank that involves its customers in its development, that changes everything!"

Financial institutions are essential to the ecological, economic and social transition that awaits us: to assume their role in financing the transition, they need to rethink their development "software", put ethics at the heart of their issues and draw on the example of those who are already doing so successfully.

Jérôme CALOT
Marketing & Communication Director
helios

THE ROUTE TO AN INDEPENDENT ETHICAL BANK

A few words about La Nef

Initially, a select group of citizens wanted to offer ethical project leaders access to the finance that traditional banks refused. This goal gave rise to La Nef, a civic banking cooperative, and the only French institution that only finances environmental, social and cultural projects. With transparency at its heart, it is also the only bank to publish all the loans granted thanks to its savers. As part of its policy of defending the local economy, this cooperative bank does not speculate on the financial markets, and only finances the real economy.

Since it was created in 1988, La Nef has financed more than 6,000 green and social projects (in organics, renewable energies, medical/social projects, social inclusion, the circular economy, fair trade, culture, etc), with the total loan value reaching around €90M.

La Nef has upscaled over the past four years. While at the end of 2018 the balance sheet represented €50M, this figure has now exceeded €1bn billion. And the bank now aims to achieve a new milestone.

Filing for Independence

As a specialist credit institution, La Nef is accredited by the Bank of France and supervised by the ACPR (Autorité de Contrôle Prudentiel et de Résolution - French Prudential Supervision and Resolution Authority). At launch, La Nef was backed by another bank, which still guarantees its solvency and liquidity. In this context of strong growth, and wishing to accelerate its expansion in the face of the current climate and social challenges, La Nef filed a request for independence to the ACPR. In order to convince this organisation, it must prove its business model's strength and raise enough capital to ensure autonomous development in coming years. This resulted in the Big Banque campaign in October 2022.

The Big Banque

La Nef has already raised €17M of its €30M target - only 7 months after launch! Over 4,000 new members joined the cooperative, and the European Investment Fund invested €5M in capital. This real success is important, not merely for the amount of money raised, but also because of the enthusiasm this project inspires.

A democratic process to build tomorrow's independent ethical bank

In keeping with its democratic values, La Nef wished to profoundly involve its members in defining the independent ethical bank project. So it decided to innovate, coming up with a revolutionary participation process based on a model resembling the citizens conventions, which were held prior to the General Assembly and Member's Congress of 13 and 14 May 2023.

The process was completed in four waves:

- A two-week digital consultation, open to all members. Some 1,800 members took part via the platform!
- A day-long conference involving a representative panel of 30 members. The panel was asked to use the contributions that received the most online votes to build a written resolution for the General Assembly vote on May 13, and to study the actions to carry out in the coming months... A new and fruitful experience;
- The General Assembly voted to adopt this resolution;
- The Member's Congress of May 14 allowed us to define all dimensions of the resolution on La Nef's independence.

The road to independence carries on

The final objective has not yet been achieved: the case is still being examined by the ACPR and La Nef wishes to prove that the emergence of an independent ethical bank has massive public, and that it is urgent to give it real prominence in the French banking system. To support its case, La Nef is therefore continuing to work on the Big Banque and hopes to receive an answer before the end of the year.

A crazy, vital, idea

La Nef's independence would be an exception to the rule, going totally against the current tide of concentration in the banking sector. Yet it seems absolutely necessary in the face of climate change and social exclusion. Banks are essential economic actors, shaping tomorrow with their current financing activities. It is extremely urgent to support an ethical bank, that's independent of the major groups, anchored in the real world and that works actively and exclusively to finance transformative, environmental, social and cultural projects.

Citizens now have a card to play !

Stéphanie LACOMBLEZ
Head of partnerships and institutional relations
La Nef

THE 7 DIMENSIONS OF SOCIAL AND ENVIRONMENTAL PERFORMANCE: MANAGEMENT STANDARDS FOR RESPONSIBLE AND SUSTAINABLE FINANCIAL INCLUSION

The idea that business can be a force for good is nothing new. In fact, the best companies, the ones that stay in business, have figured out that profit is the result of having a good business, not the purpose. But even companies that sincerely wish to offer products and services that improve the lives of their customers may struggle to define clear goals, set meaningful targets, and devise an effective strategy. In response to this challenge in the inclusive finance sector, Cerise+SPTF created the Universal Standards for Social and Environmental Performance Management[1] (the "Universal Standards"). The Universal Standards' manual describes exactly what management practices financial service providers must put into place to avoid harm and create benefit for their customers.

A lofty ambition drove the creation of the Universal Standards: to codify standards for the entire global community of practice in responsible inclusive finance. We knew that the work would be complex, and probably contentious, and that it would only succeed if we listened to everyone's voices. After years of international co-building of best practices, collective thinking, and a bottom-up approach, Cerise+SPTF published in 2012 the first edition of what came to be known as the Universal Standards for Social and Environmental Performance Management. Cerise+SPTF periodically review and update this document, to make sure that it continues to reflect best practice. Now in its third edition, the Universal Standards organizes the recommended management practices along seven dimensions:

Universal Standards for Social and Environmental Performance Management, SPTF

Last year, Cerise+SPTF celebrated the 10th anniversary of the Universal Standards, it was an opportunity to take stock of what the Universal Standards have helped to accomplish. Numbers tell part of the story: Cerise+SPTF have thousands of members, from every region of the world. The great majority of members are financial service providers, impact investors, national associations, and technical assistance providers who work directly with low-income, vulnerable clients in developing countries. There are also thousands of registered users of the "SPI"[2], the free social audit tool that assesses implementation of the Universal Standards. More than 1,000 social audits have been conducted for financial service providers who collectively reach more than 60 million borrowers from 100 countries! Feedbacks from stakeholders tells the other part of the story. They overwhelmingly confirm the value of the Universal Standards in helping to achieve positive outcomes for customers and sustainability for the business. Among many key insights, we share the following four:

- **Customer-centricity is key.** No business survives for very long without making it a primary focus to understand its customers, deliver what they need and value, and make sure that they stay connected, as clients' needs and priorities can and do change. This work takes on heightened importance when the customers are low-income or vulnerable populations.

- **A social strategy is possible.** When we started this work, a lot of people thought social performance management was too complex to codify into one set of standards — too subjective, too dependent on individual institutional-level priorities. And although it is true that institutions do—and should—define their own priorities, based on their customer profiles, their regulatory environment, their stage of institutional maturity and a host of other variables—the fact remains there is a roadmap now. The Universal Standards and the suite of audit tools developed by Cerise+SPTF can help you understand with great precision where you are now, and can deliver concrete guidance, step by step, to take you where you want to go.

- **Good governance and strong leadership are critical.** Each and every successful example of strong social and environmental performance management had this in common: buy-in and champions at the very highest levels of the organisation. Experience teaches that when social performance management is "a project" that gets delegated, or one isolated staff member is in charge of it, then the effort fails. To use an analogy, it can't be an app, it has to be the operating system. It is nothing less than a culture. Cultures are instilled by the leadership, and the culture drives everything the organisation does.

- **Social and Environmental Performance Management (SEPM) builds loyalty and resilience.** In our interviews with stakeholders, they often refer again and again to clear examples where their commitment to their customers and their social strategy paid off. From "no pago" movement in the early 2000s in Bolivia, to conflict in Georgia, economic and currency crises in Lebanon, flooding in India, and health crises including COVID-19, purpose-driven financial service providers demonstrated that caring for staff and customers created a deposit of goodwill and loyalty that could be tapped in challenging times and contributed directly to institutional resilience.

Ultimately—the value of the Universal Standards is that they help us to act. It is easy to have visions and goals, but as the saying goes, if nothing changes, then nothing changes. Stakeholders who embrace the Universal Standards are the ones who are willing to do something different: to embrace a way of delivering financial services, or investing in financial service providers, that insists upon accountability and creates real value for people and planet.

Amelia GREENBERG
Deputy Director
Cerise+SPTF

1. https://cerise-sptf.org/universal-standards/
2. https://en.spi-online.org/

IMPACT ASSESSMENT, GUARANTEEING THE CONTRIBUTION OF FINANCIAL PLAYERS TO THE TRANSFORMATION OF THE REAL ECONOMY

Recognising the urgent need to protect our planet, the Paris financial centre is committed to the development of impact finance. There is growing interest in impact investing in France. Between 2020 and 2021, the volume of impact funds under management rose by 148% on a like-for-like basis, from €24.3bn to €60.2bn. Members of France Invest's Impact Commission, for example, have doubled their assets under management in one year.

In 2021, the "Groupe de place", launched at the initiative of Bruno Le Maire, Minister for the Economy, Finance and Recovery, and Olivia Grégoire, then Secretary of State for the Social, Solidarity and Responsible Economy, bringing together all the players in the Paris marketplace ecosystem and coordinated by the Institute for Sustainable Finance ("Finance Durable", or "IFD"), led to the emergence of a common definition. Impact finance, which aims to accelerate the fair and sustainable transformation of the economy through an investment or financing strategy based on the pillars of intentionality, additionality and measurement, is an essential tool for responding to environmental, societal and social emergencies.

Completed in June 2023, the work of the "Groupe de place" initiated two years earlier has mobilised the Paris financial marketplace to bring together financial players around common tools to better understand their impact. These tools are designed to ensure that financial players make a strong and credible commitment and that impact does not merely remain a marketing promise: an investor impact charter, an assessment grid for investors' impact potential that can be applied to several asset classes, best practices for impact companies, etc.

More specifically, this work carried out an in-depth analysis of existing methodologies dealing with the cardinal issue of impact finance: impact assessment and its operationalisation. While assessment is now one of the generally recognised pillars of impact finance, in the same way as intentionality and additionality, it is still an unfamiliar concept that faces numerous methodological difficulties.

The IFD, whose members are mainly financial players, has naturally taken an interest in assessing impact at both the underlying and investor levels. More specifically, in order to guarantee that financial players have a real capacity for transformation, measuring the impact of investors is a powerful tool for impact finance, contributing to a process of transparency through the observation of tangible results and ensuring the fund's impact strategy. However, there are still many obstacles to the adoption of best practices in impact assessment. The finance industry still seems to have little grasp of the subject, even though numerous methodologies exist!

The IFD has therefore identified the main types of methodology that exist for impact assessment, which have been well documented in the past in sectors other than finance: basic quantitative methods such as sector comparison, trend benchmarking, target comparison, or counterfactual methods such as matching; as well as basic qualitative methods such as surveys and interviews, or structured methods like logical methods... The strengths and weaknesses of these different approaches were reviewed on the basis of eight criteria, including cost, practical difficulties, data requirements, the ability to demonstrate causality or additionality, and so on.

Although the final choice of evaluation method depends primarily on the nature of the strategy and the resources available to the funder, the working group recommends a hierarchy of combinations of methods, from level 1 (least convincing) to level 5 (most convincing). The combinations, which are based on a maximum of 2 methods, reflect the complementary nature of qualitative and quantitative methods, and the differences in robustness between "basic" and more sophisticated methods.

Possible combinations of impact assessment methods

Lvl. 1	Lvl. 2	Lvl. 3	Lvl. 4	Lvl. 5
A "basic" quantitative method	A "basic" quantitative method + a "basic" qualitative method	A "counterfactual" quantitative method **OR** A "basic" quantitative method + a "structured" qualitative method **OR** A "basic" quantitative method + a logical method	A "counterfactual" quantitative method + a "basic" qualitative method	A "counterfactual" quantitative method + a "structured" qualitative method **OR** A "counterfactual" quantitative method + a logical method

For investors seeking to make an impact, these tools can prove powerful when combined. As a result, the market advisory group considered that self-declared "impact" funds should be able to reach at least level 2 of the combinations.

Finally, the subject of impact assessment demonstrates that the construction of a common reference framework and the dissemination of methodologies will make it possible to anticipate the growth of assets under management in the short to medium term. Implementing impact assessment methods helps to anticipate possible future regulations or the rules laid down by a possible Impact Label at French or European level. The financial players in the Paris financial centre are also called upon to use the principles set out in the Investor Charter and the grid associated with the various asset classes, and to affirm their commitment to impact finance by signing the said charter in September 2023.

This is why, on the strength of its commitment to the development of impact finance, the Paris financial centre will continue to work in coordination with all the players concerned around these reference tools to move forward collectively on solid, credible and shared foundations.

Philippe TAFFIN
Finance & Investments Director
France Assureurs

PUTTING PEOPLE AND COMMUNITIES AT THE HEART OF THE TRANSITION TO A NET ZERO CARBON ECONOMY

Ask anyone, anywhere in the world today about the net zero agenda and there is a good chance they will say that it might be beneficial for the planet but not doing much for them and their communities. This popular frustration is at risk of turning into a wholesale backlash against the very idea of the transition. In global financial centres, we are seeing attacks on green finance which threaten hard-won progress. And in developing economies, there is growing – and legitimate – anxiety that a narrow focus on climate hampers prospects for broader social and economic development.

A successful transition to net zero requires a careful balancing act between present realities and future imperatives. We must carefully mitigate the social consequences as we transition out of carbon-intensive business models. We must also ensure that climate action creates opportunities for people and communities to thrive in a transformed global economy. This means, for example, new decent jobs in decarbonised industries, access to affordable renewable energy, the revitalisation of left behind communities, and equal participation in greener supply chains for developing economies.

In other words, we need to put people and communities at the heart of the transition to net zero. This imperative is increasingly recognised by financial actors of all stripes, but it might feel daunting. It is not easy to understand the social implications of the transition, and particularly how these should influence investment decisions.

To support financial market actors on this journey, we at the Impact Investing Institute have recently launched the Just Transition Criteria[1], a 'first of its kind' practical tool that enables investors to align their investments with a fair and inclusive transition to net zero. The Criteria were co-created alongside 22 global financial institutions who manage £4 trillion in assets and participate in our *Just Transition Finance Challenge*[2], and are supported by the likes of the International Labour Organisation. The Challenge features both private investors – including global asset managers and impact investors – and public development finance institutions and multilaterals.

Figure 1: The just transition and its three elements

In practice, the Just Transition Criteria help investors to align their financial product with the three key component of a just transition:

- advancing climate and environmental actions;
- improving socio-economic distribution and equity;
- increasing community voice.

The third element – community voice – is perhaps the most intriguing. How do we ensure that communities impacted by the transition will have appropriate agency in the process? For instance, if an energy company is decarbonising its activities, do people affected by the decommissioning of a facility – including workers and local suppliers – have say in the transition plans? Meaningful engagement with communities can help mitigate negative impacts on both the people affected and the success of the transition plan itself.

In some advanced economies, such consideration of social matters is taken for granted, but on the global scale it is often an afterthought. For responsible investors, influencing companies to engage with communities throughout their transition is a clear opportunity to deliver impact.

The Criteria are firmly rooted in actual practice and have been designed to be compatible with widely-used reporting frameworks – such as Sustainable Finance Disclosure Regulation (SFDR), the Global Reporting Initiative (GRI), and the Sustainability Accounting Standards Board (SASB) – to make it as easy as possible for investors to adopt them.

But "transitioning out" is just one part of the question. The Criteria also help investors to think about ways to include community voice as a key part of the transition "into" the future economy. For example, BlueOrchard's InsuResilience Fund[3], one of the funds piloting the Criteria, invests in providers of micro-insurance that help smallholder farmers in developing economies protect their income against the effects of climate change. Working with 60 Decibels, a tech-powered impact measurement company, the fund regularly surveys the end-customers to ensure that micro-insurance products are adapted to their needs and affordable.

Investors who are embedding community voice are finding that it can boost both the impact of their investments and their bottom line. Later in September, we will release a community engagement guide for investors, which offer practical guidance on how engaging with communities can reduce financial risk and better identify impact challenges and opportunities.

The guide will also highlight examples of funds that have given communities control over investments. Examples include the Ujima Fund in Boston, US, which finances small businesses, real estate and infrastructure projects led by working-class Black, Indigenous, and other communities of colour. Its investment committees include residents, grassroots partner organisations, community business owners, and employees.

As actors in the responsible finance space, we work with investees and end-beneficiaries who are often both at the frontline of climate change and the side-lines of our economic system. This gives us a unique responsibility to show that financial markets can be part of the solution, and not a blocker, in delivering a just transition, and that communities can be empowered in this process. We believe the Just Transition Criteria offer a first practical way to do this – and encourage you to start using them.

David KRIVANEK
Senior Programme Manager
Impact Investing Institute

1. Just Transition Criteria – a practical tool for fund managers, https://www.impactinvest.org.uk/resources/publications/just-transition-criteria/
2. Just transition finance, https://www.impactinvest.org.uk/our-work/projects/just-transition-finance/
3. InsuResilience Solutions Fund, https://insuresilience-solutions-fund.org/

IMPACT INVESTMENTS AND THE REGIONS: CONNECTIONS NEEDED

The social impact investors' circle

In 2016, the Caisse des Dépôts/Banque des Territories and Le RAMEAU shared a finding concerning the **difficulty of investing in social innovation projects with a high upscaling potential**: they need support to ensure success, but the related engineering is difficult to finance and muster.

In partnership with Le RAMEAU the Caisse des Dépôts therefore launched a working group to analyse ways to support social innovation in November 2016. The aim was to bring together representatives of the diverse range of investors (philanthropists, financial impact investors, banks, public institutions, etc).

The resulting Circle of 21 members met eight times and held four seminars for the community that supports impact projects. Their reflections notably contributed to the emergence of the "*Fonds i*" funds and mechanisms to support the deployment of impact projects.

"THE AIM IS TO ENCOURAGE THE COMMUNITY OF SOCIAL IMPACT INVESTMENT STAKEHOLDERS TO SHARE VIEWS AND GOOD PRACTICES."

In 2022, strengthened by the wealth of these discussions, the Caisse des Dépôts/Banque des Territoires decided to go further by mustering their directors and operational teams to make the Circle evolve in a more operational direction. The aim is to encourage the community of social impact investment stakeholders to share views and good practices. The Circle is currently steered by the Banque des Territoires and co-chaired by FAIR and Le RAMEAU through a range of formats:

- Very open sessions to raise awareness through inspiring testimonies.
- Peer committees to take a step back and anticipate social impact investment developments.
- Operational working groups to jointly produce implementation resources and enable joint experimentation and innovation.

Investment and the regions

The Circle defined Impact Investments and the Regions as its 2022/2023 focus. This allows them to respond to:

- The needs of the various investor profiles and their counterparts to get to know and understand each other.
- The importance of connecting and structuring national and regional actions when it comes to social impact investment.

An initial webinar was held on 21 November 2022 allowing around 50 participants to find inspiration and discuss the practices of three complementary impact investors, with different profiles, modus operandi and intervention areas:
- Créalia Occitanie provides start-up financing in relation to a diverse range of region-al-level financing networks
- The Caritas Foundation – France, is a philanthropic organisation connecting a wide range of intervention methods across the country
- The French region PACA Directorate of the Banque des Territoires, is an economic and shared interest player that intervenes at all levels of the PACA region.

This webinar saw the emergence of three major issues, which were fed through a Peer Workshop on 22 March 2023 uniting around thirty Circle members:

- The level of maturity and type of financing: what kinds of financing are activated at each stage of project maturity? What are each investor profile's specific require-ments?
- Regions and local ecosystems: What are the connections between investors at each level? How are they anchored into local ecosystems?
- Support: What are the different forms of support offered throughout the project, al-lowing it to consolidate and secure finance?

Finally an operational working group of around ten organisations met for the first time on 12 June 2023 to promote mutual understanding, and to share financing and commu-nications practices at the various regional levels. This meeting highlighted:

- The need for operational teams to have a better understanding of the scope of the activities of the various social impact investors.
- For organisations with a limited territorial scope, the challenge is to become known to and recognised by organisations acting at national level.

National/regional and inter-regional connections gave rise to numerous discussions. They allowed us to establish key elements to understand how the various social impact investors work and are connected.

The next step will be the sharing of these various paths in a deliverable whose results are to be presented in Autumn 2023 at the Regional Hub (Hub des Territoires): the Banque des Territoires venue for discussions and reflection!

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Investment Managers - Department for Social and Regional Cohesion (Département Cohésion Sociale et Territoriale)
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1. The "Fonds i" fund (FR), https://www.banquedesterritoires.fr/le-fonds-i

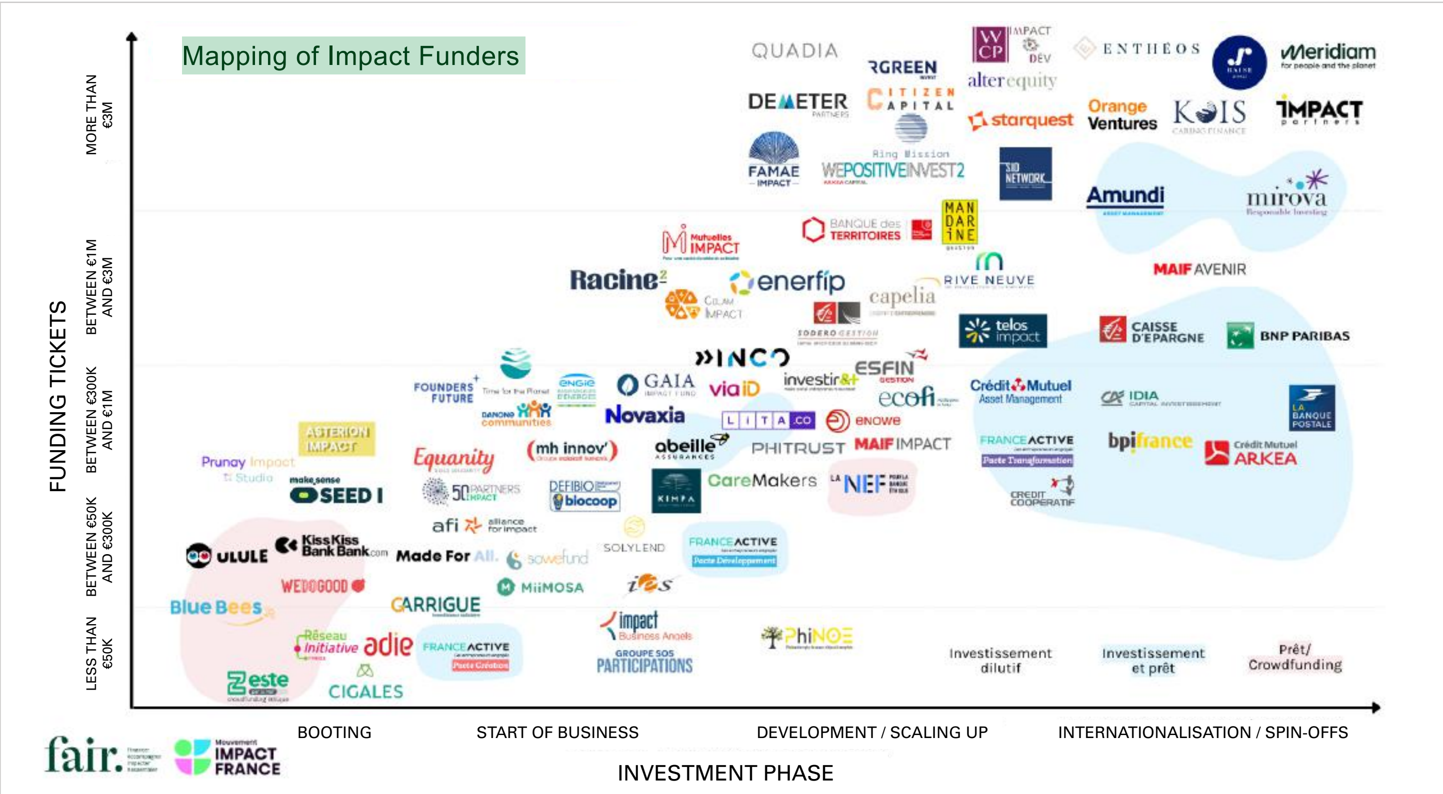
INNOVATIVE FINANCING IN THE SSE: SUPPORTING

Social and Solidarity Economy (SSE) is experiencing remarkable growth and increased interest. SSE businesses have a dual objective: to generate positive social impact while maintaining their financial viability. New financial approaches are emerging to achieve this delicate balance, providing innovative solutions to support the development of socially minded enterprises. We will explore these different forms of innovative SSE financing by looking at a few inspiring examples.

The creation and development of investment funds that favour SEE

Specific funds have been created to support the development of SSE enterprises. These focus on financing social and ethical enterprises, by providing investment opportunities that are aligned with social and environmental objectives. Investors interested in social impact can thus channel their resources to enterprises that align with their values.

These funds offer SSE businesses access to capital that is significant for their growth and expansion. They also allow investors to diversify their portfolios by including investments with a high social impact. SSE funds thus play a key role in supporting social and ethical enterprise, supporting their long-term development.



Plateau Urbain: Serving Urban Recycling

Plateau Urbain is a French SCIC (*Société Coopérative d'Intérêt Collectif* – collective interest cooperative company) dedicated to the reuse and temporary rehabilitation of under-used urban spaces. The aim is to transform these places into collaborative, creative and social spaces that benefit the local community. Plateau Urbain adopted an innovative approach to financing their projects: allowing people to become shareholders.

Plateau Urbain reuses existing spaces to create caring communities, disseminate concrete alternatives, and welcome and respond to the unmet needs of today's city.

Plateau Urbain gave partners a role in its governance by enabling them to become cooperative members. In the words of Plateau Urbain co-founder Simon Laisney, this was part of a three-pronged approach: "Making our partners members of Plateau Urbain and its board allowed us to remain constantly aware of our stakeholders' expectations and ambitions; it allowed us to invest calmly and in an informed manner in major projects that temporarily occupy public space and are capable of shaping the minds of tomorrow; to finance and lay the groundwork for opening our cooperative membership to users of the temporary social spaces we create and manage."

This innovative approach allowed Plateau Urbain to raise €2.9M through a combination of interest-bearing quasi-equity and non-return-bearing shares. This quasi-

THE DEVELOPMENT OF SOCIAL ENTERPRISES

equity was used to underwrite the cooperative's bank loans for the next seven years, while also enabling the cooperative to strengthen its equity capital. This strategy was successful in mobilising financial resources while improving the cooperative's financial situation.

> "IT IS CRUCIAL TO ACCOMPANY SSEs THROUGHOUT THE FUNDRAISING PROCESS, AS THEY FACE SPECIFIC CHALLENGES IN TERMS OF THEIR FINANCING AND DEVELOPMENT."

Scoping: A mixed financing model to serve social enterprise

Scoping is an engineering and building consultancy SCOP (*Sociéte Coopérative et Participative* – worker cooperative). In June 2022, SCOPING SA launched a fund-raising round targeting its banking and financial partners. This call was designed to boost its 2022-2024 development projects to support regional environmental transitions in construction and real estate. The round was closed in two months, securing €2.5M in medium-term loans from 1) Crédit Coopératif and cooperative movement tools (SOCODEN authorised the loan and SOFISCOP provided the guarantee) and with 2) Caisse d'Epargne and Société Générale as privileged partners of the cooperative, supported by Crédit Agricole.

©Clément Blaisot

Sinny&Ooko: crowdfunding with LiTA.co

Sinny&Ooko is an ESUS (*Entreprise Solidaire d'Utilité Sociale* – ethical company with a social purpose) that creates green/cultural third places. Sinny&Ooko turned to crowdfunding to finance its activities and develop new third places, thanks to the LiTA.co Participative Investment Advisor platform. This online social investment platform provides both individual and professional investors with the opportunity to contribute to projects...? with a positive impact on society. Sinny&Ooko successfully raised over €550,000 from more than 400 citizens.

Their fundraising round was completed by the Banque des Territoires, and the Abeille Impact Investing France, INCO Investissement, and NovESS by Mandarine Gestion funds to achieve a total of €3M.

Such funds allow Sinny&Ooko to continue their upscaling by financing the creation of two new third places in Le Havre and Toulouse.

The importance of supporting SSE enterprises fundraising efforts

It is crucial to accompany SSE enteprises throughout the fundraising process, as they face specific challenges in terms of their financing and development. The HEC Paris SEE accelerator, which was launched and supported by the Île-de-France Region, works to provide technical and strategic support to SSE enterprises, helping them to structure their financing plan, to identify the appropriate sources of financing and to develop an attractive economic model for investors.

Innovative SEE financing plays an essential role in supporting and developing social enterprises. Investments, cooperative models, crowdfunding and expert support provide unique opportunities to mobilise financial resources and create a positive social impact.

The examples of Plateau Urbain, Scoping and Sinny&Ooko illustrate and demonstrate the diversity of SSE funding approaches. By combining cooperation, participation, mutualisation and basic economic rules, these enterprises successfully finance their projects and develop their social impact.

Article co-signed by all the teams
Accélérateur ESS

CROWDFUNDING, A POWERFUL TOOL FOR (RE)CREATING LINKS BETWEEN ECONOMIC PLAYERS IN LOCAL AREAS

In recent years, the social and economic landscape has been directly impacted by a succession of crises. Covid, the war in Ukraine, global warming: financial players, citizens and businesses alike have all had to adapt, show resilience and innovate. To meet the climate, food, health and energy challenges of our century, crowdfunding is a powerful tool. It makes it possible to direct the savings of citizens and existing funds towards projects with a positive impact, enabling them to make their first steps, and to create links between all the stakeholders in an approach that supports the transition.

The need to take account of the social, economic and environmental impact of the funded projects

Profitability is not just a matter of financial ratios. The impact of a project needs to be assessed using a range of financial, social, economic and environmental indicators. By investing in sustainable projects, we can all contribute to a greener, more sustainable and more profitable economy. At MiiMOSA we work closely with many farmers who wish to reduce their production costs and diversify their income. For example, some of them are planning to build a methanisation unit, which will have a number of benefits, including:

- the production of green energy, biogas, to develop a more environmentally-friendly energy supply for the public;
- the production and use of digestate as a natural fertiliser, avoiding the use of chemical inputs and adopting more environmentally-friendly farming practices;
- local job creation;
- reducing greenhouse gas emissions.

These high-energy impact projects require heavy initial investment. To help them get off the ground, farmers often call on the support of the public. This is in the form of a loan to top up the subsidies already obtained and the contributions made by the project owners. These funds can then be used to obtain bank loans, which are subject to strict debt ratios.

Crowdfunding: at the crossroads of stakeholders' financial interests

Project owners: accessible, flexible funding. Against a backdrop of rising bank rates and more limited access to credit for businesses, participatory financing remains a practical alternative for project sponsors. With the financial support of members of the public, the banking partner reduces its involvement and shares the risk. Taking out guarantees or personal sureties is also limited to the share financed by the banking partner, which relieves the project owner.

Citizens: a green and profitable investment. With the interest rate on Livret A passbook savings accounts set to remain at 3% until 2025, participative financing in the form of loans can be a real godsend for citizens looking for a profitable investment. Generally between 3% and 8%, participative loans give citizens access to advantageous investments while having a real impact on their region and the environment.

Project leaders and citizens working together for biodiversity. After launching an initial fund-raising campaign in 2020, Vostok Services has appealed to the public for a second time to fund the development of its family flax farm. Through its second crowdlending fund, the farm wanted to plant 23.7 hectares of trees on its plots to create a microclimate that regulates temperature and water and reduces erosion. The project required an investment of €100,000 which was financed by almost 200 members of the public. It's a win-win situation from every point of view, given its strong environmental impact, the fact that it enables the investor to develop his or her business, and the 5.1% annual return on investment.

Crowdfunding, the finance of the future

In one year, the participatory financing sector has grown by 25.3%[1]. More than €550 million has been raised specifically for social or environmental projects. What's more, since 2015, across all sectors combined, crowdfunding (in the form of donations, loans and capital) has seen its figures multiply by 14. This reflects the success of a simple, alternative model for project owners, but also for citizens looking for transparency, proximity and impact.

Close-up: the impact at MiiMOSA

MiiMOSA is a crowdfunding platform that could be described as "impact-based". Our mission is to finance agricultural and food transition towards models based on respect for life in all its diversity.

At MiiMOSA, impact corresponds to two fields of analysis:

- The positive or negative externalities generated by the production of our platform and services. This field will include QWL policies, the B-CORP certification we have obtained and the carbon footprint (scope 1 and 2).
- The positive externalities we generate through the financing we provide. This includes extra-financial reporting, the impact analysis approach for projects, measurement of the carbon intensity of the portfolio of loans made on the platform, measurement of the impact of biodiversity, and the company with a mission approach.

The progressive addition of impact in the workflow. All projects on the platform are carefully selected to be in line with MiiMOSA's mission. In addition to looking at the purely financial aspects of the project, we assign an impact score established using a rating matrix that we have created and which is adapted to the agriculture, agri-food and agricultural renewable energy sectors. This matrix assesses the economic, environmental and social impacts of the project in terms of the nine objectives it is designed to achieve. These objectives are in line with the Sustainable Development Goals*.

Article co-signed by all the teams
MiiMOSA

1. Data from the 2022 Crowdfunding Barometer in France - MAZARS (FR): https://financeparticipative.org/wp-content/uploads/2023/02/BAROMETRE-CROWDFUNDING-2022_FPF-MAZARS.pdf

** More details on the 2022 Impact Report - MiiMOSA (FR): https://decouverte.miimosa.com/hubfs/pdf/rapport%20-%20impact%202023.pdf*

THE AGRICULTURAL TRANSITION AND THE FINANCAL INCLUSION OF SMALLHOLDER FARMERS

Smallholders are an impact opportunity for the entire value chain

With almost 2 billion individuals relying on agriculture for their livelihoods, including 70% of the population in Africa and 60% in South Asia, smallholders are one of the most exposed and crucial groups at the bottom of the pyramid, for whom access to basic resources such as vocational training or financial inclusion is a key issue.

Access to financial services is an essential tool for providing farmers with the funds they need, initially to meet short-term challenges, but also to invest, change practices, increase their income and tackle climate change consequences.

Smallholders thus represent a twofold opportunity for any financial institution: firstly from a market perspective, by increasing its customer base, and secondly from an impact perspective, by improving financial inclusion. And this at a time when only 3% of total demand for financing from smallholders is currently financed worldwide.

The need to develop inclusive financial mechanisms for smallholders

Inclusive finance is therefore essential to help secure financial resources and develop small farms. Investment needs are varied: training, certification, storage capacity to prevent production losses, processing equipment, securing land ownership, etc.

In order to provide access to financial services for vulnerable populations, a number of barriers need to be overcome on the ground: high cost of marketing and administration, lack of access to the capital of Microfinance Institutions (MFIs), lack of guarantees (absence of title deeds or information) or visibility of borrowers' activity, non-existent or unreliable data, risk of default, etc.

There are various financial mechanisms available, but they are rarely used. The most commonly used are microfinance and short-term credit mechanisms, generally granted at significant interest rates. On the other hand, access to medium and long-term investment loans is generally out of reach for smallholders. Finally, there are some emerging opportunities worth mentioning, such as the financial valuation of the positive externalities generated by farming activities.

If properly calibrated and supported, access to financial services for small-scale farmers can structurally increase income over the long term and mitigate day-to-day and long-term risks.

Implementing financial inclusion

Although a large number of financial institutions offer little to no financial services to smallholders who remain largely outside the banking system, financing solutions are being developed.

However, in order to meet all the financing needs of small-scale farmers, commercial banks need to be more closely involved to complement MFIs.

To achieve this, there are a number of key elements that we believe are necessary for the implementation of such schemes:

- identify the contractual frameworks on which to base the portfolios;
- seek out expertise and co-construct inclusive innovations (particularly digital) to deploy and monitor transformation programmes;
- use catalytic finance to reduce the risks and therefore the cost of the financing granted in certain cases;
- organise multi-stakeholder coalitions around agricultural value chain transformation projects: financial players, experts, industrialists, development institutions, civil society, public authorities and others must work together over the long term to remove obstacles.

Société Générale and Ksapa have entered into a partnership with the aim of designing and deploying affordable financial schemes for farming communities aimed at creating value in rural areas, strengthening agricultural value chains, and achieving social and environmental impact in multi-stakeholder coalitions integrating industrial companies and civil society. Targeting Côte d'Ivoire first and foremost, the aim of this partnership is to develop solutions combining technical assistance, low-tech digitisation and impact finance to support local and international players in their pursuit of a positive social and environmental impact on their value chain, and in the creation of local value.

Ksapa will support cooperatives in setting up medium to long-term financing by diagnosing the needs of farmers and cooperatives, defining priorities in a transformational investment plan, and releasing medium-term loans to finance these needs (equipment, training, digitisation, etc.). This will be complemented by support and monitoring of the long-term impact and value creation for the country and local communities.

To this end, Société Générale and Ksapa are considering investment credit schemes involving the entire value chain in multi-year programmes.

Through this first initiative, Société Générale and Ksapa aim to establish an efficient financial and operational model that can be replicated across other agricultural value chains and geographies in West Africa.

Raphaël HARA
Managing Director
KSAPA

Marie-Aimée BOURY
Head of Impact-based Finance
Société Générale

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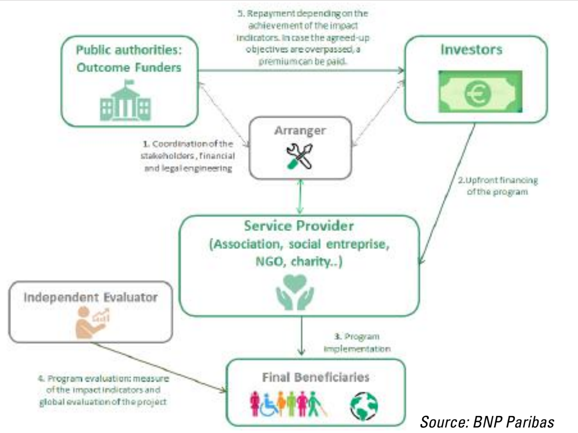
IMPACT BONDS: A GROWING MARKET SERVING SOCIAL INNOVATION

An Impact Bond (IB) is a financing tool based on a unique model of collaboration between authorities and the private sector and the social and solidarity economy (SSE). Its objective is to reveal positive solutions for society or the environment, based on prevention and innovation, and built in the field as close as possible to the needs of the beneficiaries.

These experiments, implemented by service providers, are pre-funded by investors that are then reimbursed in full or in part by the public authorities, based on the level of achievement of impact targets, as measured by an independent assessor. The impact generated represents cost-savings for the public authorities, part of which reimburses and remunerates the financial risk taken by the investors.



Source: BNP Paribas

A virtuous system

This tailor-made approach allows service providers to benefit from stable funding over several years to experiment without taking any financial risk. It is particularly well suited to not-for-profit organisations or to those which have not yet reached financial maturity, as it is granted based on their ability to generate a positive impact rather than their profitability. Through built-in impact assessment, this mechanism makes it possible to monitor the added societal value generated by the project, to prove its effectiveness and to adjust it in real time to maximise the effects on the beneficiaries.

Through pay-by-result schemes, the State supports innovation but transfers the risk of failure to investors. Once the projects have been completed, an analysis of the impacts and cost-savings achieved can inspire the transformation of public policies: the holy grail for an impact bond!

As for investors, they can strengthen their impact investing strategy with clear, targeted impact measurement, but also innovate and diversify their investment portfolio with a product that is decoupled from the financial markets. The great advantage of Impact Bonds is that they unite a wide range of players around a common positive impact project, acting in a spirit of joint construction through shared governance. Even when the level of impact achieved is lower than anticipated, experimentation makes it possible to increase knowledge about the life trajectories of beneficiaries and to refine intervention methods.

From the prelude to market acceleration

Launched for the first time in France in 2016, the impact bonds were initially a niche market. The very first investment fund in Impact Bonds in France and the European Union, launched in 2019 by BNP Paribas and the European Investment Fund (EIF), aimed to kick-start this nascent market, together with pionners such as Banque des Territoires. In 2020-2021, it received a boost from the French government, which, encouraged by the first success, approved 19 projects focusing on social and environmental issues, for a total budget of €56M. This momentum was mirrored on the investment side in 2023, with the launch by BNP Paribas of a larger successor fund with a target size of €70M and the creation of a dedicated €14M fund by Citizen Capital, new investor on this product.

The "BNP Paribas European Impact Bonds Fund 2", set to accelerate the deployment of IBs in the EU

This new "vintage" was co-created with the and the EIF, both historical and strategic investors in impact bonds. The aim is that it becomes a "marketplace fund", in line with the recommendations of the Cazenave Report, to increase the number and size of social impact bonds in Europe and thus multiply their positive effects:

- Experimenting societal innovations and making them durable by embedding them into public policies: for instance, two French departments are going to finance a preventive childhood protection scheme initially tested via two impact bonds operated by the Apprentis d'Auteuil Foundation (dozen of children have already avoided being placed into foster care);
- Facilitating the scaling up of sustainable solutions that will be financially self-sufficient by the end of the IB: this is the case for TOOPI-Organics and Envie Autonomie, which respectively aim to create a channel for recycling human urine into bio-fertilisers for agriculture, and to build a solidarity-based supply of medical equipment from re-use.

Twelve projects on key issues such as professional inclusion, social reintegration of vulnerable people, with disabilities or former convicts, circular economy, or the fight against food waste, have already been selected by the new fund. These projects, supported by Andes, Article 1, Articonnex, Comme les autres, Duo for a Job, Label Vie, Léo Lagrange, Messidor, Mozaïk RH, Positive Planet, Télémaque and Wake up café, among others, could enable:

- more than 1,500 refugees, vulnerable young people and people with disabilities to find lasting employment or take a training course leading to a qualification;
- to avoid more than 16,000 tonnes of CO_2 emissions;
- to reuse more than 5,000 tonnes of waste.

Over the next few years, Impact Bonds could play an increasingly important role, in particular to experiment and deploy initiatives promoting a just transition or helping the elderly to maintain their autonomy, while optimizing public resources as well as financial and extra-financial returns for investors. The conditions are right for investors to get involved. Will the public authorities step up too? Will this ingenious mechanism become a new standard in the range of available financing solutions for societal innovation and scale-up?

Alexandra BLAIN
Head of impact bonds structuration team
BNP PARIBAS

MOVING TOWARDS NEW PUBLIC POLICIES THROUGH SOCIAL IMPACT BONDS

Because "whatever is well conceived is clearly stated" (Boileau), talking about Social Impact Bonds (SIB) means talking about projects, particularly those that inspire public policies and add innovation. Lyon-based association Messidor aims to help people with physical disabilities recover by offering them a transition towards employment in an ordinary setting. When it decided to take a step further by developing job coaching for over 300 people with no official recognition of their handicap (RQTH*), an Impact Contract (IC) seemed the obvious choice of financing tool.

Why? Because this public/private partnership is designed to finance social and environmental projects that meet a public policy issue and unites key stakeholders around a single project. In other words, it tests a model for answering poorly or unmet needs in order to solve a social challenge in a sustainable manner, while ensuring that the public administrations concerned are involved not just in financing successful projects, but are also involved, through steering committees, in monitoring progress throughout the project lifespan. Created in England 12 years ago, this tool has gradually expanded all over the world in a variety of forms. In France, it now represents a market worth around €60M.

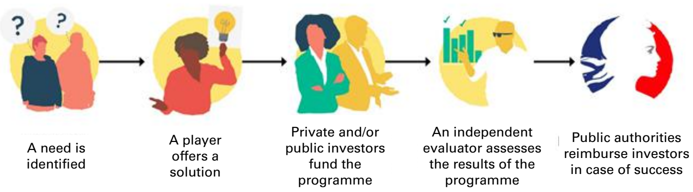
The Messidor IC should allow us to assess the impact of job coaching on employability and the recovery of a target audience with psychological disorders who lack official RQTH recognition, and should above all allow us to sustain the preventive solution of professional support over administrative recognition of disability. The solution will be deployed in over a dozen departments.

"CREATED IN ENGLAND 12 YEARS AGO, THIS TOOL HAS GRADUALLY EXPANDED ALL OVER THE WORLD IN A VARIETY OF FORMS. IN FRANCE, IT NOW REPRESENTS A MARKET WORTH AROUND €60M."

The whole point of experimentation is to demonstrate the value of public intervention through a preventative approach to this 'forgotten' sector through employment support approaches that allow those concerned to become eligible for Accompanied Employment contracts (Emploi Accompagné). Using an Impact Contract therefore guarantees going beyond mere experimentation once objectives are achieved.

This arrangement allows the project to select sufficiently relevant success criteria to convince the end donor of its impact early on. Initially designed around the concept of positive social and/or environmental impact, Social Impact Bonds allow associations to define the steps they need to make to achieve their objectives in agreement with the final donor (Ministry or regional organisation), which for Messidor was the Ministry of Labour, Employment and Economic Inclusion. They are also supported by an independent evaluator whose mission is to ensure that the programme of actions carried out is effectively able to save public investment and to create social/environmental and financial value.

HOW DOES IT WORK ?



Source : Ministry of Economics, Finance and Industrial and Digital Sovereignty of France

By design, Social Impact Bonds require the involvement of private 'impact providers' who finance the project upstream. These players assume the initial risk, allowing the solution to be tested, deployed and adapted to the local context. Such IC financiers come in a range of profiles, including enterprise foundations, philanthropic endowment funds, banks and even major European institutions. Social Impact Bonds are an extra string to their impact bow. While the risk analysis tools used are similar to those involved in conventional investments, they also look to the long term and must cross the finest methods to understand the social value created and the stakes involved in every project. If the programme is deemed successful by the independent evaluator, the financier recovers their investment through reimbursement from the end donor, plus a return that's limited to around 1-2%, representing a strategy more similar to capital preservation than profitability. Social Impact Bonds cover budgets of around €3M to €5M and projects with an average duration of 5-years.

Social Impact Bonds therefore allow new forms of partnership between stakeholders wishing to unite their expertise to address a social or environmental issue, which is the major innovation of this tool.

Marion DE LA PATELLIÈRE
Co-founder
sb factory x Citizen CIS

** RQTH - Reconnaissance de la Qualité de Travailleur Handicapé (official recognition as a disabled worker)*

NOTES

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A BAROMETER BY

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Launched in 2008, Convergences is the first platform for thought in Europe that aims at building new convergences between public, private, and solidarity-based actors to promote the Sustainable Development Goals and the development of a world "Zero Exclusion, Zero Carbon, Zero Poverty."

Convergences seeks to engage with various stakeholders in order to disseminate good practices and to promote co-construction approaches with the aim of creating high impact and innovative partnerships.

Our scope of interest is wide ranging: sustainable development, international development, solidarity-based and inclusive finance, Corporate Social Responsibility (CSR), social entrepreneurship, social and solidarity economy, and new technologies for change.

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