COUNTRY PROFILE

France

GSG Driving real impact

Market Overview

The French impact economy can be attributed to the rise of the social and solidarity economy (SSE). The social economy is officially recognized as a set of organizations that operate across a wide range of activities and are guided by key principles such as prioritizing the importance of a service to a community over financial profit[1]. Through direct investment in impact enterprises or through indirect investments via bank savings or company savings plans, impact investing has developed considerably in France.[2]

IMPACT INVESTMENTS HIGHLIGHTS[3,4,5,6]

Supply of Impact Capital

- The 90/10 solidarity-based funds can attract private individuals, with the funds required to invest between 5% and 10% of their funds in impact assets (e.g., solidarity enterprises with a social purpose). Solidarity-based finance in France can be identified by the Finansol label.
- A number of institutional investors (e.g., banks, insurers and pension funds) have contributed to impact investment funds (often private equity) established by specialized fund managers (e.g., INCO, PhiTrust and Citizen Capital).
- Proparco, the private sector-dedicated French DFI, had an outstanding portfolio (debt and equity) of USD 4.9bn in 2017.

Intermediation of Impact Capital

- Social impact assets under management, whether public or private, totaled USD 3.5bn in 2017.
- Investments made in 2017 were worth USD 448mn.
- Since 2016, BNP Paribas has structured five social impact bonds in France, totaling USD 5.2mn.

Demand for Impact Capital

- The European Commission identified nearly 82,519 social enterprises that were part of the SSE and met EU criteria in France in 2016.

Government and Regulation

- Solidarity-based funds, so-called 90/10 funds, were created under the Fabius Law of 19/02/2001. In 2017, 90/10 funds accounted for 83.6% of solidarity-based investments.
- Solidarity enterprises with a social purpose (ESUS) are a defined sub-group of the SSE. Non-profit/not-for-profit businesses remain key players within the impact economy. In April 2019, a law introduced profit-with-purpose companies (entreprises à mission). While similar to traditional companies, their social or environmental mission, specific objectives and a monitoring committee are defined in their founding documents.
- Through the French Impact strategy, launched in 2018, the government aims to stimulate impact venture capital, with several funds currently in development.
- In 2019, the government launched a working group to accelerate experimentation with social impact bonds.
- Also in 2019, France adopted a new law to accelerate the development of solidarity-based life insurance, as life insurance is one of the most popular savings schemes in France. The law should contribute to the development of solidarity-based pension savings and direct investments in cooperatives by private individuals.

Market Builders

- The Impact Invest Lab (iiLab), a platform for fostering innovative impact investing, particularly social impact bonds, was launched by the Caisse des Dépôts, the French Centre of Funds and Foundations, INCO, the Crédit Coopératif, Finansol, and the Mouves.
- Of the many players in France that support social enterprises, Mouves, Avise Ashoka and several social business accelerators have been key to developing the sector.

Indicators[A]	
GDP PPP (2011 US$,)	2,649mn
Total Population	67mn
GINI Index	32.7
HDI	0.901
MPI	N/A
EPI	83.95

KEY PLAYERS

Asset Owners	Asset Managers	Impact Entrepreneurs
Crédit Coopératif	France Active	Réseau Cocagne
BNP Paribas	Amundi	Groupe SOS
Aviva	INCO	Emmaus
AXA	Mirova	Veja
Danone	Phitrust	Ares
Caisse des Dépôts et Consignations	Investisseurs & Partenaires	Habitat & Humanisme

SPOTLIGHT DEALS[B]

Company	Total Funding	Investor	Sector
Enercoop	USD 6.3mn[i]	NovESS, France Active, MAIF, INCO, AVIVA, Mirova, la Nef, la Caisse Solidaire	Renewable energy
Simplon.co	USD 5.1mn	Caisse des Dépôts, Amundi, INCO	Tech for good
Kingo	USD 36.8mn	Engie, Proparco, FMO	Energy
UCPA ("titre associatif")	USD 5.5mn	Esfin Gestion, France Active, INCO, Mirova, NovESS	Inclusive activities and jobs
Adie SIB	USD 1.5mn	BNP, Caisse des Dépôts, Renault Mobiliz Invest, AG2R la Mondiale, Fondation Avril	Rural microfinance

[i] Exchange rate used throughout the country report: EUR 1 = USD 1.1

ABCs of the French Impact Economy[C]

An impact economy is a just and equitable economic system in which positive impact – alongside risk and return – are embedded. In an impact economy, governments, organizations, investors and consumers are motivated to include marginalized and underserved sections of society while taking concerns regarding our planet and its environment into consideration.

The following table shows actions undertaken by various stakeholders in France that exemplify the adoption of strategies that **A**void harm, **B**enefit all stakeholders and **C**ontribute to solutions. Thus far, France has been a pioneer in issuing green bonds and has introduced several public initiatives to promote SSE.

	Avoid Harm	Benefit all stakeholders	Contribue to Solutions
IMPACT IN **BUSINESS**	▲ Since 2013, companies with over 500 employees are required to publish an annual social and environmental report. Companies have to disclose how they account for the social and environmental consequences of their activities, and their commitments to promote sustainable development.[7]	▲ Over 73 B Corporations operated in France in 2019.[8]	▲ The SSE represents 10% of France's GDP, and includes 200,000 enterprises and 2.4 million employees.[9]
IMPACT IN **INVESTMENT**	▲ In France, corporate governance is the most integrated ESG issue in the investment process for equities and bonds.[10]	▲ In 2017, the Treasury issued the first sovereign green bond, enabling France to borrow USD 7.7bn to finance an energy transition. This was the largest issuance with the longest maturity to date on the green bond market.[11] ▲ In June 2019, France ranked first worldwide for green bonds, with cumulative issuance of over USD 100bn.[12]	▲ As of the end of 2017, the French impact investing market amounted to USD 3.5bn in assets under management. ▲ 15 funds amounting to USD 411mn have joined the recent French Impact strategy, which aims to promote social impact innovation.[13]
IMPACT IN **POLICY**	▲ Article 173 of the Energy Transition for Green Growth Law (2015) obliges institutional investors to address ESG criteria in their investment policies and risk management.	▲ The Action Plan for Enterprise Growth and Transformation Law (PACTE), adopted in April 2019, amended the French Civil Code, requiring companies to consider social and environmental factors, and define their *raison d'être* in their founding documents. ▲ Created and supported by the Ministry of Finance, the socially responsible investment label aims to make socially responsible investment products more visible to investors in France and Europe.[14] ▲ Created by the Ministry of Ecological and Solidarity Transition, the Greenfin label guarantees the green quality of investment funds and is intended to promote the common good through transparent and sustainable investment practices. The label excludes funds that invest in companies operating in the nuclear and fossil fuel sectors[15].	▲ In 2014, the SSE law was amended to change the legal form "solidarity enterprise" to "solidarity enterprise with a social purpose" (ESUS). Currently, there are around 1,000 ESUSs in France. ▲ France has two dedicated units responsible for impact investing. The Ministry of Finance is responsible for the technical implementation of impact investment policies and outcome-oriented commissioning, while the Ministry of Ecological and Social Transition and Solidarity hosts the high commissioner for the SSE and social innovation. Having accountable governmental units that develop and oversee impact investment policies bolsters the impact investing ecosystem. ▲ In January 2018, the high commissioner for the social economy and social innovation launched the SSE Growth Pact, which evolved into the French Impact strategy. The strategy largely focuses on strengthening the demand side. It works on the premise that with a strong supply of capital, the French impact investing ecosystem could benefit from expanding investment opportunities.
IMPACT ON **CONSUMPTION**	▲ Third party labels (e.g., Fairtrade and Rainforest Alliance) significantly influence 53% of French consumers. In addition, 45% of French consumers buy environmentally friendly products to prevent negative health impacts.[16] ▲ For the third year in a row, France ranks first on the Food Sustainability Index thanks to efforts to tackle food waste and promote healthier lifestyles.[17] ▲ 63% of French people consider it important to include environmental and social issues in their investment decisions.[18] ▲ Since 2007, France has implemented the Bonus-Malus system to promote the purchase of greener cars and eliminate older and inefficient cars.[19]		

SDG Dashboard and Trends

CURRENT ASSESSMENT – SDG DASHBOARD

Major challenges | Significant challenges | Challenges remain | SDG achieved | Information unavailable

SDG TRENDS

Decreasing | Stagnating | Moderately improving | Mantaining | On track | Information unavailable

Key Initiatives

Impact investing ecosystem

The Impact Invest Lab (iiLab), was launched in 2016. The lab contributes to strengthening the impact investing ecosystem, which has been boosted by a supportive government and regulatory environment. iiLab is the operational arm of the French NAB. The government has three representatives – one each from the Treasury department of the Ministry of Finance, the Ministry of Ecological and Social Transition, and the Ministry of Europe and Foreign Affairs – in the French NAB.

Retail impact products

In 2001, the French government created the so-called 90/10 pension regulation, which requires solidarity investment funds to invest between 5% and 10% of their funding in ESUS. The uptake of the offering has been extremely successful with USD 10.2 bn invested in solidarity enterprises by the end of 2018. Within solidarity-based finance, bank savings products also exist, and it is possible for private individuals to invest directly in some impact businesses.

Capacity-building and access to capital

Since 2002, the local support initiative (DLA), a public scheme, provides short-term advisory services (totaling two to five days) to social businesses.

As part of the French Impact strategy, three projects have been created to support and finance impact businesses:

- Pioneers French impact is a national accelerator for social innovation that aims to scale up 22 selected impact businesses.
- Seed Funds is a provider of seed capital (USD 55mn).
- French impact territories is a strategy that aims to promote public-private collaborations at a territory level and facilitate new relationships between various actors in the impact investing ecosystem.

There are also a number of non-governmental initiatives emerging in the field of capacity-building and access to capital. For example, many incubators and accelerators are flourishing, non-profit networks are developing their members' capacities, and large corporations are being incentivized to establish skill-based sponsorships. HubESS, a digital platform, represents capacity-building initiatives in France.

Outcome-oriented commissioning

In 2016, France called for social impact bonds (contrats à impact social). Thirteen social impact bonds were identified of which seven were launched between 2017 and 2019. The signed contracts focus on job integration and education, largely in rural areas. A working group was set up by the government in 2019 to accelerate the adoption of social impact bonds in France. It published a toolkit to help social businesses develop relevant social impact bonds. Based on the working group's recommendations, the government announced that it would launch an outcome-oriented fund in early 2020, which would focus on job integration, housing and ecological transition.

Fiscal incentives

At the enterprise level, fiscal incentives, financial support and coaching are available to some impact businesses. In solidarity-based finance, at the individual investor level, the tax regime depends on the kind of investment made. For example, tax relief on company savings plans also applies to solidarity enterprise savings plans, while tax relief on capital investments in small- and medium-sized enterprises also applies to capital investment in solidarity enterprises with a social purpose. For high net worth individuals subject to the real estate property tax, there is a tax incentive for investing in "high" social housing companies.

Standardized impact reporting

In 2016, when the NovESS fund was launched, it requested the development of an impact measurement methodology (measurement and tracking of social impact), which would become open source once successfully implemented. Several other methodologies exist or are in development. There is a debate in France regarding the relevance of standardizing impact measurement and the potential risk of inhibiting social innovation. Impact measurement will be developed by impact enterprises with internal (e.g., drive for continuous improvement) and external (e.g., communication and reporting) purposes, following the "prove and improve" logic.

The co-development of impact measurement tools with financiers should be encouraged to meet financier's needs. In this regard, standardizing impact measurement remains a challenge.

Notably, some investors (e.g., the pioneering France Active) are trying to measure their own impact rather than the impact of the organizations they finance.

Road to Impact Economy

PATH TO TIPPING POINT 2020

Implementation of national strategy:
The French Impact strategy is a strong national initiative that aims to stimulate the demand side of the impact investing ecosystem. Still in its early stages, ensuring its successful implementation and sustainability will be important for developing the ecosystem. The success of the strategy could be catalytic for subsequent capacity-building initiatives, especially at the local level.

Strengthen intermediaries:
France's impact investing ecosystem could also benefit from strengthening its intermediaries. In particular, there is a need for lending practices and deal structuring more suited to the needs of impact businesses and investors. Finding sustainable business models for capacity-building programs is a challenge. The government could support this endeavor by allocating dedicated funding to incubators, accelerators and support programs dedicated to impact businesses.

Creation of an outcome-oriented fund:
To date, seven social impact bonds have been signed. The implementation of outcome-oriented contracts could progress at a faster pace and a larger scale with the creation of an outcome-oriented fund similar to the UK's Big Society Capital funds or the government-supported Life Chances Fund (see UK country report).

Mobilize more asset owners:
France's impact investing sector initially developed thanks to savings from private individuals. Institutional investors are becoming increasingly involved, although there is room to attract many more investors, particularly foundations and insurers. Foundations are familiar with the social issues at stake and could complement their existing grant programs with investment products. Insurers manage a large pool of funds, which could help scale social impact investing. In addition, it is important to ensure that available capital covers all needs across the impact investing spectrum, from early-stage venture through upscaling to mature organizations.

TRANSITION TO IMPACT ECONOMY 2030

- Require all asset owners to dedicate a percentage of their investments to impact investments.
- Require 10% of companies to integrate a social mission at the core of their business activity.
- Promote a mature impact investing ecosystem in which all impact businesses (whatever the business size, sector or location) and needs (whether financing or non-financing) are covered.
- Where relevant, shift practices in the social space from input-oriented financing to outcome-oriented financing.
- Require the government to provide social impact bonds or other outcome-oriented financing mechanisms to test social innovation.

Footnotes:

A. **Environmental Performance Index** Available in: https://epi.envirocenter.yale.edu; All other **indicators** available in: http://hdr.undp.org/en/countries

B. Information tends to be limited for specific rounds of funding. Therefore, In **Spotlight Deals,** 'Total Funding' refers to the total money that a specific company has raised. The investors listed may have participated in one or several rounds, and may have done so as lead or co-investors.

C. The **ABC** of the **French Impact Economy** table is adapted from the IMP framework.

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