

# Social innovation in France

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*Last update: December 2014*

## **1. Is there a clear and consensual definition of social innovation in France?**

### **Social innovation has a legal basis**

Article 15 of the Act of July 2014 (hereinafter referred to as the ESS Act) defines social innovation as follows:

I – A social innovation project is a project involving one or more enterprises and providing goods or services with one of the following characteristics:

1. addressing social needs that are not met, or are not well met, whether under current market conditions or in the context of public policies;
2. addressing social needs via an innovative form of enterprise, via an innovative way of producing goods or services, or via an innovative way of organising work. The consultation and definition procedures for socially innovative projects, including the involvement of the beneficiaries of this type of project and the project funding arrangements, also belong to social innovation.

II. – To benefit from public funding for social innovation, the innovative character of a social innovation project must, in addition, be difficult for the enterprise involved to wholly fund under normal market conditions. This condition does not apply to social innovation funding granted by regional authorities.

III. – The High Council of the Social and Solidarity-Based Economy shall define guidelines allowing the identification of a socially innovative project or economic activity in the sense of clause I.

### **Analytical grid for identifying social innovation**

The ESS Act is based on a multidisciplinary project launched in 2011 for the purpose of analysing social innovation, having it fully recognised, and opening up access to traditional innovation support and funding schemes for socially innovative projects.

The project produced an analytical grid listing 20 criteria covering four priorities: addressing a social need currently not well met, generating other positive effects, experimentation and risk-taking, and the involvement of those concerned.

This analytical grid for identifying social innovation was published in 2013 on the AVISE website<sup>1</sup>.

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<sup>1</sup> [http://www.avise.org/sites/default/files/atoms/files/20140204/201311\\_Avise\\_IS\\_Grille.pdf](http://www.avise.org/sites/default/files/atoms/files/20140204/201311_Avise_IS_Grille.pdf)

## The scope of social innovation

In France, social innovation is closely linked with three other fields of intervention:

- the social and solidarity-based economy (*économie sociale et solidaire* or ESS) as the umbrella for all interventions;
- social entrepreneurship: social enterprises are businesses set up for a social, societal or environmental purpose and not aiming at profit maximisation. They seek to involve their stakeholders in their governance<sup>2</sup>;
- social impact: Any organisation set up for a social purpose seeks to generate a positive social impact. Assessing the social impact plays a crucial role in the social and solidarity-based economy and the enterprises of which it consists.

The above reflects a vision of social innovation in France which is very much oriented towards an entrepreneurial approach, in contrast to other current definitions and practices in other countries – including other social innovations in the voluntary sector – within social movements whose aim is not to set up businesses but to support citizen projects. Although such a citizen movement also exists in France, it is still not well established in the social innovation field.

## 2. What are the main events in the history of social innovation in France over the last 10 years?

### The development of the social and solidarity-based economy and social entrepreneurship

Since the mid-19th century, the founding principles of what is now known as the social and solidarity-based economy have gradually gained recognition via a series of laws, though it was not until the 1970s and 80s that the two currents – the social economy and the solidarity economy, now merged in a single concept – gained real recognition with the establishment of the Social Economy Charter in 1980 and the adoption of the 1983 Act, the latter constituting the legal foundation of the social economy. This went hand in hand with the emergence of the first occupational integration organisations, solidarity-based funding, fair trade and the appearance of the term “solidarity-based” (*solidaire*).

The 1990s saw the birth of a number of federations bringing together social economy organisations with a view to providing them with greater visibility. The former included the Regional Social Economy Chambers (*Chambres Régionales de l'Économie Sociale* or CRES). This period also saw the sector becoming considered as a business sector in its own right.

This development gained pace in the late 2000s with the first national Mois de l'ESS – a month dedicated to the social and solidarity-based economy – in November 2008 and the 2010 Vercamer Report which put forward 50 proposals for “changing course”, followed by the launch of the “Labo de l'ESS”, a think-tank dedicated to the ESS. The organisation of ‘States General’ of the ESS and the publication of the *Cahiers d'espérances*, documents listing citizen proposals for a different economy, were the key projects in support of upgrading the sector.

Social entrepreneurship is a recent concept, which appeared in Europe in the 1990s in the context of the social and solidarity-based economy. In 2010, a year of debate in the ESS, the Social Entrepreneurs' Movement (*Mouvement des entrepreneurs sociaux* or Mouves) was set up.

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<sup>2</sup> Definition put forward by the Movement of Social Entrepreneurs (Mouves)

In what was a 'first' for the sector, 2012 saw the French government setting up a Ministry for the Social and Solidarity-based Economy headed by Benoît Hamon. The latter was responsible for initiating and drafting the framework law on the ESS aimed at giving the sector a better structure and promoting its development. As part of the government reshuffle in the first quarter of 2014, the Ministry was replaced by a Secretary of State for Trade, Craft, Consumption and the Social and Solidarity-based Economy, Carole Delga.

On 21 July 2014, after numerous back-and-forths between the National Assembly and the Senate, the ESS Act was finally adopted.

### 3. What challenges are being addressed by social innovation?

Since the 2008 crisis, the main challenges facing France, as is the case with most EU states, are of a social, economic and environmental nature. Recourse solely to innovations in the technological and/or economic field is proving unsatisfactory.

The very definition that social innovation “meets social needs” clearly positions its mission as one of transforming society, against a background of increasing impoverishment, limits to the use of fossil fuels for energy, the digital divide, the decline of public services in rural areas, an ageing population, the isolation of the elderly, the growing demand for organic food, etc. (for examples, see section 8).

Spending cuts in the public sector, the overall drop in private investment and the decline in purchasing power are leading the French population to seek solutions via various types of social innovation:

- **Decline in consumption and purchasing power**  
The collaborative economy – the pooling of assets, spaces and tools: car-pooling, furniture-sharing, couch-surfing, flat-sharing etc.
- **Decline in private funding**  
New sources of funding: crowdfunding, peer-to-peer lending etc.
- **Decline in public funding and cuts in social policies despite the crisis tending to increase social inequalities**  
Social innovation in the fields of health, education, employment and the fight against poverty
- **Desire to develop a sustainable and responsible economy**  
Funds specialised in ESS, a methodology for assessing the social impact, social enterprises: WISEs, Social Tech etc.
- **Taking environmental requirements into account**  
GreenTech start-ups, new distribution models especially in the food/agriculture sector, specialised funds, measuring environmental impact etc.

To respond to these challenges, new social innovation trends and practices are now developing in France, more often than not using social networks or digital tools to advance social or societal causes. But even more than its uses, it is the 'spirit of the web' that characterises these trends. Based on free exchange and open to all, its strength lies in links more than content. It is also based on the will to share, both as a purpose and as a way of working, and on giving priority to interdisciplinarity. Calling on a group, on collective intelligence, allows the pooling of resources and knowledge.

## 4. Who is doing social innovation?

### **The economy and employment: a few figures**

Though social innovation can involve any type of organisation, independent of its status or its business sector, this form of innovation is emerging in particular within organisations belonging to the social and solidarity-based economy.

In 2013, the number of employees working in the social economy continued to rise, albeit at a low rate (+0.3%). The highest rises were to be found in foundations and cooperatives. For its part, the private sector as a whole is no longer hiring (-0.5%). As a result, the proportion of private-sector employment attributable to the social economy is slowly rising. In France today, the ESS accounts for<sup>3</sup> :

- 10.3% of all French jobs
- 13.9% of private-sector jobs
- 2.34 million employees
- 222,900 employers
- EUR 56.4 billion in gross wages

### **The Regional Economic Cooperation Centres (*Pôles Territoriaux de Coopération Economique – PTCE*)**

The public authorities play an important role in driving the spread of social innovation.

The Regions with their responsibility for economic development, innovation, vocational training and regional planning are invested with the necessary competences to support social innovation, thereby helping to boost a region's attractiveness and create sustainable and non-relocatable employment. Supporting and funding social innovation with a view to accelerating its development is today a key issue for any *Conseil régional*, a Region's governing body, as witnessed by the 'Panorama 2013 des actions de soutien à l'innovation sociale en Région', an overview of actions carried out by the Regions in 2013 in support of social innovation.

As defined in the July 2014 ESS Act, a PTCE is a group of stakeholders within a specific region – enterprises and people belonging to the social and solidarity-based economy associated with small and medium-sized enterprises (SMEs), local authorities, research centres and training providers – which implements a joint ongoing strategy of cooperation and sharing, at the service of innovative business projects promoting local sustainable development. A PTCE pursues a range of goals:

- The regional organisation of a certain business branch or sector;
- The creation of a true ecosystem within a region with the aim of promoting sustainable socio-economic development;
- The exploitation of various local resources;
- The regional anchoring of business activities;
- The involvement of citizens, players and institutions of all sizes;

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<sup>3</sup> Data taken from a report by the Chambre National des Chambres Régionales de l'Economie Sociale (CNCRES): [http://chaire.neoma-bs.fr/economie-sociale-et-solidaire/docs/qu-est-ce-que-l-ess/l-ess-en-france\\_chiffres-cles-2013-cncres.pdf](http://chaire.neoma-bs.fr/economie-sociale-et-solidaire/docs/qu-est-ce-que-l-ess/l-ess-en-france_chiffres-cles-2013-cncres.pdf)

- Improved institutional visibility of the ESS, paving the way for local projects and partnerships with companies, local and regional authorities and research centres;
- Significant investment in social innovation;
- The creation and development of integrated groups of ESS enterprises;
- The search for the critical size to meet the growing demand for solidarity-based or sustainable goods and services.

In the long run, PTCE projects aim to prioritise socio-economic innovation, thereby responding to the difficulties brought about by the crisis, actively contributing to the ecological and social conversion of the local business environment, and strengthening the local business environment through cooperation and sharing.

Some examples of projects supported by PTCEs are:

- The [Sud Archer](#) PTCE has revived a workshop producing a range of ethical shoes in Romans, exploiting local raw materials and know-how and creating new jobs in one of the region's traditional sectors.
- [Eoliennes en Pays de Vilaine](#) is building the first citizen-funded wind-park in Beganne using the savings of more than 700 local inhabitants (to the tune of EUR 1.8 million).
- PHARES ([Pôle Hospitalité aux Acteurs à Rayonnement Ecologique et Solidaire](#)) is a programme hosting some ten associations and enterprises working in the fields of the environment, popular education, fair trade, training and insertion.

## 5. Who is supporting it?

A project owner looking for support for a social innovation project can contact a number of different bodies: incubators, competitiveness clusters, regional innovation agencies (ARI), etc. A distinction can be made between:

- schemes supporting innovation in general (regional innovation agencies, incubators, competitiveness clusters, etc.)
- schemes supporting the setting up of enterprises offering support for socially innovative projects
- social innovation incubators

In France, a social innovation project can benefit from:

- subsidies for setting up an innovative enterprise
- subsidies for R&D expenditure in innovative projects
- subsidies for hiring researchers to boost the R&D capabilities of SMEs
- tax breaks for R&D investments (*Jeune Entreprise Innovante, Crédit d'impôt recherche*)
- corporate sponsorship

Moreover, the majority of the Operational Programmes of the European Structural and Investment Funds<sup>4</sup> in their different shapes and forms for the 2014-2020 period, often offer lines of action and budgets aimed at promoting social innovation.

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<sup>4</sup>ERDF, ESF, EAFRD, EMFF

## 6. How is Social Innovation being facilitated and promoted in France?

### **The 2014 Act on the solidarity-based social economy (the ESS Act)**

On 21 July 2014, the draft law on ESS was adopted after two years of discussions, consultations and debates with stakeholders. Via the ESS Act, the government wanted to recognise both the values and specific requirements of the ESS, with the aim of upgrading the organisation of the social economy, giving priority to sustainable and fairer growth through directing public and private funding more towards social economy enterprises and helping to organise it better (especially at a regional level) and promoting policies favouring the ESS.

The five aims of the draft law are:

- To recognise ESS as a specific form of enterprise

The law resolves definitional problems through recognising the traditional players (cooperatives, associations, foundations) and the new 'enterprise with a social goal' (*entreprise à but social*). It creates a legal base allowing the development of new funding arrangements specifically for ESS enterprises, and above all it lays down exact criteria defining social innovation, helping it to be more easily identified by external players and to better direct public funding towards socially innovative projects.

- To consolidate the network and governance of ESS enterprises and the funding instruments available to them.

The new law wants to make it easier for all institutional players working in the ESS to gain recognition, and to give a formal structure to the various networks of the CNCRES (the national umbrella organisation of the regional ESS chambers) and the regional ESS chambers (CRESS).

The law also clearly defines the legal regime for subsidies, with a view to avoiding the current confusion and abuse and to limiting the use of calls for tenders harming ESS initiatives.

It also introduces a range of funding schemes for ESS enterprises, thereby creating alternatives to bank loans and ensuring their further development: improving the attractiveness of securities issued by ESS enterprises and creating "*certificats mutualistes*", long-term securities representing a cross between shares and bonds.

- To re-empower employees

The law gives SME employees a new right to prior information in the case of a transfer of ownership and creates the new (interim) company legal form of a 'start-up cooperative' (*société coopérative et participative (SCOP) d'amorçage*). It also complements the scheme enshrined in the "Loi Florange", which obliges companies to sell profitable plants instead of closing them down.

- To unleash a cooperative shockwave

The law mandates a review of the governance arrangements within cooperatives, authorises the creation of SCOP groups to achieve a competitive size, modernises the legal form of the SCIC (*société coopérative d'intérêt collectif*) with a view to allowing the development of public-interest private employment, and authorises producers of goods and services without employee status to become partners. It also facilitates access to and promotes collective entrepreneurship through the creation of the company legal form of CAE (*coopérative d'activité et d'emploi*), a scheme tried out over the last 15 years.

- To strengthen local sustainable development policies

The law enshrines the Regional Economic Cooperation Centres (*Pôles Territoriaux de Coopération Economique* or PTCEs), backing initiatives aimed at creating non-relocatable local jobs (see below).

It makes it mandatory for public authorities to adopt a policy promoting socially responsible public procurement when the amount to be purchased exceeds a certain threshold.

It recognises the regional level as the place for drawing up regional ESS strategies with local stakeholders.

It also updates the definition of fair trade by including “North-North” relations (i.e. not only relations with Third World countries) and by obliging supermarket chains to be able to provide proof of ‘fair trade’ claims advertised on their products.

Finally, it allows ESS enterprises to issue securities in complementary local currencies, overseeing their development through minimum requirements with regard to banking security and supervision.

## 7. What are the policies, methodologies and criteria in place for evaluating social innovation in France?

Social innovation is evaluated in France according to four criteria (cf. the analytical grid – Question 1 above)

- Does it meet a social need that is currently not well satisfied?
- Does it generate other positive effects?
- Is it experimental (involving risk-taking)?
- To what extent are those concerned able to participate?

Assessing the social impact of ESS projects seems to have become necessary in a context where the state and public and private funding agencies are increasingly demanding such an indicator, the former on account of the reduction in public funds available for organisations of public interest, and the latter through their search for socially "profitable" investments.

Given the disparity of internal assessment tools in the majority of ESS organisations, several methods have emerged which aim to standardise the tools and indicators and introduce assessment rating scales. Here is an overview of the different methods developed in France:

### **SROI (Social Return on Investment) – Institut de l’innovation et de l’entrepreneuriat social**

Created in 2003 by ESSEC, this centre of knowledge, teaching and applied research on social entrepreneurship focuses on four activities: the establishment of organisations with a social purpose; strategy and management in the social economy; enterprises and sustainable development; and corporate social responsibility. It offers an experimental approach to SROI.

The SROI approach has been developed on the conceptual basis of social reporting and cost-benefit analyses. It is based on seven principles, determining the way SROI is to be applied. The seven principles are as follows:

- Involving stakeholders
- Understanding what is changed

- Assessing what counts
- Only including things that are “material”
- Not overstating things
- Being transparent
- Verifying the results

<http://iies.essec.edu>

### **CDI Ratings (*Comptoir de l'Innovation*)**

Benefiting from the 30-year experience of the SOS Group, the *Comptoir de l'Innovation* has developed a method for assessing social organisations from both the financial and non-financial perspectives.

This method measures the social impact and economic effectiveness of projects and organisations set up for a social purpose. It is made up of 600 criteria developed during a three-year research programme carried out in collaboration with SOS Group experts.

Dependent on the type of business, CDI Ratings can be adapted to the organisation to be assessed, allowing a tailor-made ranking. A complete analysis of the organisation ultimately allows a twin ranking, taking both financial and non-financial aspects into account.

The first step of the CDI Rating method involves an assessment of the financial and social performance of the enterprise concerned. But it can also be a powerful tool for investors wanting to track the financial status and social impact of their investments, or for managers in a position to use these indicators as component parts of a clear and comprehensive reporting structure, thus facilitating decision-making.

<http://www.lecomptoirdelinnovation.com/ratings>

### **McKinsey / Ashoka study**

The methodology developed by McKinsey and Ashoka involves using ratios to calculate the difference between the public money invested and the revenues collected / costs avoided by the public authority. It is based on audits carried out in 6 individual cases.

<http://france.ashoka.org/une-%C3%A9tude-ashoka-mckinsey-%C3%A9value-l%2%80%99impact-de-dix-entrepreneurs-sociaux>

## **8. A few key projects illustrating social innovation in France**

### **Incubation schemes and co-working spaces**

Workplaces and organisations have emerged over the past few years in France, allowing knowledge to be shared and resources pooled, providing support for further developing innovative projects (business incubators and accelerators) and for setting up cooperatives, all of which help resolve social problems.

- [La Ruche](#) (Paris): collective work and design premises targeting the owners of innovative projects in the social and ecological fields. Set up in 2008 by a number of social entrepreneurs: Ashoka France, Entrepreneurs Sans Frontières, Mozaïk RH, l'Adive, Jeunes Entrepreneurs de France and Equitel.



- [L'Atelier](#) (Paris): a place for building partnerships between enterprises and public authorities working in the social economy in the Île-de-France. The purpose of this Resource Centre is to promote the development and expansion of the solidarity-based social economy in the Île-de-France. The association was set up on the initiative of the Île-de-France Regional Council, the Regional ESS Chamber for the Île-de-France (CRESS IDF), various regional authorities and all players working in the sector.
- [Scale-Up Antropia](#) (Paris) is a scheme set up in 2010 by the Edmond de Rothschild Foundations and the ESSEC Group. Its aim is to support the expansion of organisations with proven economic viability and social impact.
- The aim of [StandUp HEC](#) (Paris) is to support and accelerate the development of social enterprises offering innovative responses and/or based in deprived regions. Set up as a pilot project in late 2012 by the Fondation HEC, StandUp officially launched its social incubator in May 2014.
- [Le Social Good Lab](#) (Paris) is an incubator for technologies with a social impact. Its aim is to promote the emergence and development of innovative services with a technological background, providing responses to social and environmental problems.
- [Movilab](#) – a network of contributors operating in 'open source' mode
- [Alter'Incub](#): a unique network of incubators dedicated to social innovation and supporting project owners in three regions (Languedoc-Roussillon, Poitou-Charentes and Rhône-Alpes)
- [Catalis](#): the social innovation incubator for the Midi-Pyrénées region
- [Bond'Innov](#): an incubator for innovative start-ups, with a focus on the fields of health/biotechnology, the environment and the solidarity-based social economy
- [Realis](#) (Languedoc-Roussillon): the first regional ESS entrepreneurship centre offering business accelerator services, co-working space and support services
- [La Poudrière](#) Nancy: co-working space
- La Coopérative [Tiers-Lieux](#) – a different way of working in Aquitaine

#### **Participatory mobilisation campaigns using social networks**

- [Disco Soupe](#) – fighting food waste
- [Make Sense](#) – helping community developers become social entrepreneurs
- [Ticket for Change](#) – boosting youth entrepreneurship

#### **Hybrid solutions for rural mobility**

- Using Red Cross vehicles and volunteers to reach out to elderly people living in remote rural areas: [Autabus dans le Tarn](#)
- Reminiscent of the mobile grocery stores driving from one village to another, the [Camion d'alimentation générale culturelle](#) travels around Nièvre's hinterland to deliver its cultural activities (theatre, public reading etc.).

## Circular economy

The [Foundation](#) established in 2010 by the British sailor Ellen MacArthur is an international champion of the 'circular economy', "a generic term for an economy that is regenerative by design. Materials flows are of two types, biological materials, designed to re-enter the biosphere, and technical materials, designed to circulate with minimal loss of quality, in turn leading to a shift towards an economy ultimately powered by renewable energy." It is thus, according to Ellen MacArthur, "a system where things are made to be remade".

Inspired by natural ecosystems, the idea is to move away from a linear "produce – consume – dispose" model to a value-creation model with a positive social, economic and environmental impact. Such a "cradle-to-cradle" system involves regenerative and anticipatory design, as well as repairing, reusing and recycling products.

In France, the [ADEME](#) regional network of environmental agencies has for several years now been developing circular economy models in association with waste management, but also with resource conservation.

## Local networks and ecosystems

- [Môm'Artré](#): affordable and comprehensive childcare facilities for children aged 6–11, with rates adapted all incomes and offering extended opening hours. Set up in Paris in 2001, the scheme has been reproduced across France (Môm'Arles, Môm'Lille etc.).
- [AMAP](#) (the acronym for "*Associations pour le maintien d'une agriculture paysanne*"): AMAP associations pursue the goal of promoting organic agriculture by smallholders who find it hard to survive in the face of industrialised agriculture. The principle behind AMAP is to establish a direct link between smallholders and consumers, whereby the latter undertake to buy produce from the former at fair prices paid in advance. Officially established in February 2010, [MIRAMAP](#) is the inter-regional movement of these associations and pursues the goal of strengthening the AMAPs' cohesion by sharing common ethics, experiences and practices. It represents and promotes the AMAP movement at national level.
- [Les lucioles](#): a citizens' association promoting local business with a view to improving the 'bien vivre' in Ria d'Étel (Morbihan, Brittany) and the surrounding area. The purpose of the association is to look at all areas with a view to getting ready for the time when natural resources become rare, in the spirit of the 'towns and regions in transition' movement with its focus on cutting back energy consumption and strengthening local resilience.

## Crowdfunding

Crowdfunding platforms include various types of transactions, as reflected by the six major families now in existence:

- Donations, i.e. donating to a project, often in the ESS sector, without any repayment. The donation is without interest and unlimited in time. Nevertheless as a token of gratitude, the receiving institution may make a symbolic gesture – a 'counter-donation' – in return.
- A donation in exchange for something involves donating to a project, in exchange for a return, called the counterpart. This exchange is similar to a sale or barter (e.g. [Ulule](#), [Kisskissbankbank](#)).

- Peer-to-peer loans between private individuals or to provide funding to enterprises or private individuals (e.g. [Prêt d'Union](#), [SPEAR](#), [Prêt de chez moi](#)). These schemes generally work together with a partner bank to ensure operational transparency.
- 'Equity-based crowdfunding' involves the holding of shares in the company financed, with a return in the form of dividends and a potential capital gain – in other words, the investors become shareholders. Such schemes allow large numbers of people ('crowds') to invest in non-quoted SMEs, following the example of business angel networks. Examples: [FINANSOL](#), [CIGALES](#).
- Community-based production: a scheme where investors are also co-producers (e.g. [Touscoprod](#), [Fabrique d'artistes](#), les [éditions Sandawe](#)). The financial incentive comes in the form of royalties on future income, though a non-financial return is often possible, for instance in the form of albums, goodies or invitations
- Solidarity-based microcredits: [Babyloan](#), [ADIE](#), [XETIC](#).

## 9. To learn more about social innovation in France

*L'innovation sociale en pratiques solidaires : Emergence, approches, caractérisation, définition, évaluation*, Contribution de l'Institut Jean-Baptiste Godin, January 2013

FAQ: *Comprendre l'innovation sociale* (Understanding Social Innovation), [AVISE](#), September 2013

*Découvrir l'Innovation Sociale* (Discovering Social Innovation): [AVISE website](#)

2014 ESS Act: [Legifrance website](#) August 2014

[Observatoire National de l'Economie Sociale et Solidaire](#)

[Le Réseau des collectivités Territoriales pour une Economie Solidaire](#)

*Les Pôles Territoriaux de Coopération Economique : 20 Pôles Témoins* (20 landmark centres)

*Towards the Circular Economy, Economic and business rationale for an accelerated transition*, [Ellen MacArthur Foundation](#), January 2012

*L'économie circulaire : changement complet de paradigme économique ?* François Sana, Pour la Solidarité – [European Think and Do Tank](#) – collection Comprendre et Agir, November 2014