

An aerial photograph of a large crowd of people, seen from above, moving in various directions. Overlaid on the image are several large, semi-transparent circles in various colors: yellow, pink, blue, green, and orange. In the center of the image is a large green circle containing the title text. At the bottom left, there is a blue circle with the word 'FEED' inside it.

RAISING TOGETHER

A SOCIAL INVESTMENT HANDBOOK

OCTOBER 2014

FEED

LOCAL COMMUNITY FINANCE FOR A SUSTAINABLE EUROPEAN ECONOMY

RAISING TOGETHER:



partners



collaborators

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FACEBOOK

FEED-Bretagne



FACEBOOK

Research into Citizen Financed Community-owned Enterprise - FEED project



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To find out more, visit our websites and follow the links.



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A SOCIAL INVESTMENT HANDBOOK

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FOR THE DEVELOPMENT OF CITIZEN FINANCE

Preface :

WHY CREATE A GUIDE TO CITIZEN FINANCE?

Why seek to put finance from citizens to use?

The FEED handbook is the result of work done by a joint Anglo-French team on the third sector economy, concerning the use of funds invested by private citizens to create a sustainable European economy.

How can we raise and harness local resources; how can we invest them in projects with a positive social impact; and how can we develop direct and effective financial processes? These questions are of interest both to bodies in the third sector seeking to raise funds and to ordinary citizens.

Social enterprises – some of which are small, local businesses – have experienced a notable reduction in the availability of funds over recent years. Since the financial crisis in 2008, it is apparent that banks are more reluctant to finance small and medium sized businesses, seeming to prefer larger concerns. Furthermore, the banking system does not take into account the ethical, social, and environmental impacts of third sector projects. Market research, return on investment, profitability, and results: the expectations of the banks are necessary but not sufficient to explain what third sector projects in need of funding can deliver. Third sector activities are driven more by a responsibility to respond to the needs of local people, by social innovation and the dynamics of the local economy in a given area.

In addition, French social enterprises (particularly associations) are going through a phase of widespread restructuring of public finance and a reduction in financial support from the state and local authorities. Under the influence of changes to the regulatory framework in Europe, subsidies are being increasingly replaced by public procurement, thus reducing the ability of French third sector enterprises to innovate socially¹. Therefore, it has become a major challenge for these enterprises to achieve independence from the financial support provided by public authorities.

From the point of view of the ordinary citizen, there has emerged a major collapse of confidence in the banking system. Despite the dysfunctionalities and insolvent financial structures that were revealed by the financial crisis, it feels as if very few concrete measures have been taken. The banking system, rescued by tax-payers, still appears to operate in very a similar way to how it did before the crisis. As a result, many people are attempting to regain control over their savings and investments.

A positive outcome of the financial crisis seems to be that people are motivated, perhaps more than ever before to participate in their local economies. They are increasingly looking for purpose and integrity when investing the family's money.



COULD THE EXPERIENCE OF FINANCE RAISED FROM LOCAL COMMUNITIES PROVIDE ANSWERS TO THESE QUESTIONS?

- Does it provide a way for people to take control of their money, outside of the banking system?
- Could it contribute towards galvanising third sector enterprises at a time of economic difficulties?
- Could it be a means of giving people the power to influence their local economy? What role should the everyday citizen play in local projects? What sort of collective governance would make it possible?
- Finally, could citizen finance be a means of developing businesses with positive social impacts; allowing the third sector to move to the next level.

¹ Viviane Tchernonog and Edith Archambault, *Repères sur les associations en France*, 2012.

What is the potential for citizen finance?

Many people invest in business simply by entrusting their savings to the banks, pension funds or other intermediaries. Some people also invest capital into their own, or a family run business. Most people do not invest in companies they are not personally connected to. This kind of investment may appear difficult or risky – perhaps limited to those who have substantial amounts to invest. Donations are another form of citizen finance – crowd-funding being a recent development. In France and the UK, many people donate to charities, amounts varying in size paid as one-off sums or in regular instalments. On both sides of the Channel, donations are supported by attractive tax incentives. The amounts donated are much lower than investments made directly in businesses.

Both gifts and savings are ultimately made from the surplus of income over household expenditure. Could it be possible to reconcile philanthropy and investment? How could we further encourage the desire for an investment in which the 'returns' are primarily the social value of the project being supported and the decision is voluntary (in the sense of the desire to do good and improve the condition of our fellow citizens and society²)? Could third sector enterprises find the financial resources they need, not only through the donations made by the population of a given area (such as gifts and bequests), but also through resources from local investors?

Why this handbook? what is in it? who is it for?

The purpose of this handbook is to encourage the active use of community based investment into local social enterprise. It describes the approach taken by the FEED project; the action research that was undertaken in the three research areas, and the conclusions that can be drawn from these.

The handbook is designed to raise awareness of – and develop – various types of citizen finance and social investment. It offers practical examples of tools and methods, as well as useful feedback from investors, entrepreneurs, development workers, and business advisors – with a view to further expansion of this form of funding.

It is intended for the owners and directors of social enterprises and third sector projects, for members of the public who want to use their money for purposes other than investing in the financial products offered by the banks, for experienced social investors, for local authorities, for people and groups who want to develop their local economy, for students, academics and, in general, anyone at all who simply wants to get involved in this economic transformation, whether or not they know about the third sector and citizen finance.

² This notion of giving is defined in *Reconsidérer la richesse, Mission "Nouveaux facteurs de richesse"* (reconsidering wealth, Mission 'New factors of wealth'), a report produced by Patrick Viveret when he was a retained advisor to the French Auditor General's office (2001-2004).

DONATIONS IN FRANCE AND ENGLAND

57%* of the French people questioned claim to make regular donations to associations. The percentage is also very close to 57 % for charities in England.

*According to a study conducted by TNS Sofres and Mediaprism for the France générosités union, published on 4 October 2013.

IN 2013,
there were 46 share
offers launched
in the UK seeking
£15M from 10,000
members - and 150
new mutual societies
were registered.

How to use the handbook?

Rather than offer a single definitive methodology, the purpose of this handbook is to share the FEED action research and encourage the continuation and development of the work begun in the three project areas – Brocéliande, Redon, and Somerset – in the hope that such experimentation will be taken up more widely.

The handbook is not intended to be read in chronological order from beginning to end. It is meant to be a tool with multiple entry points, accessible both to those who are just discovering citizen finance and to those who have already harnessed local financial resources. The feedback is also presented in such a way that anybody, depending on their level of interest in the subject, can easily find the sections they want to read.

HAPPY
READING!

THE FEED PROJECT: LOCAL CITIZEN FINANCE FOR A SUSTAINABLE EUROPEAN ECONOMY

The aim of the FEED project is to explore and improve the methods used by third sector enterprises to secure the investment of community owned financial resources for projects that have a positive social impact. The purpose was to understand better the stakeholders and their needs, the financial tools that can be used, and those things that enable and obstruct the raising of local financial resources.

1. Feed: general introduction

This was the FEED project team:



Represents the third sector in Brittany with the support of the local authorities. Promotes the concept of the third sector to the public and supports its development.



Development hub for the third sector in Brocéliande and Redon respectively. Their main objective is to contribute to the development of the third sector economy, including supporting and promoting the values of the sector throughout the area.



Somerset Co-operative Services CIC is a co-operative development body based in Somerset that promotes and develops co-operative social enterprise solutions to local problems, with an emphasis on sustainability and bringing together different stakeholder groups.



A co-operative of entrepreneurs, whose primary purpose revolves around three major areas: the development of economic activity through cooperation, the emancipation of people and being a benchmark player in the transformation of society.

The FEED project team had to develop a common methodology to allow for comparison and analysis, but still leave enough room for initiative in each area, enabling each local group to take an approach that reflected its research environment.

It is on three locations :

SOMERSET, England

PAYS DE BROCELIANDE, France

PAYS DE REDON, France



In two-steps:

2013 : COMPARISONS

Discover and analyse experiences in Brittany and in England.

2014 : ACTION RESEARCH

Local groups created to research citizen finance.

During these two phases, the team was able to identify six common actions to tested across the three locations to encourage the channelling of local resources to finance projects:

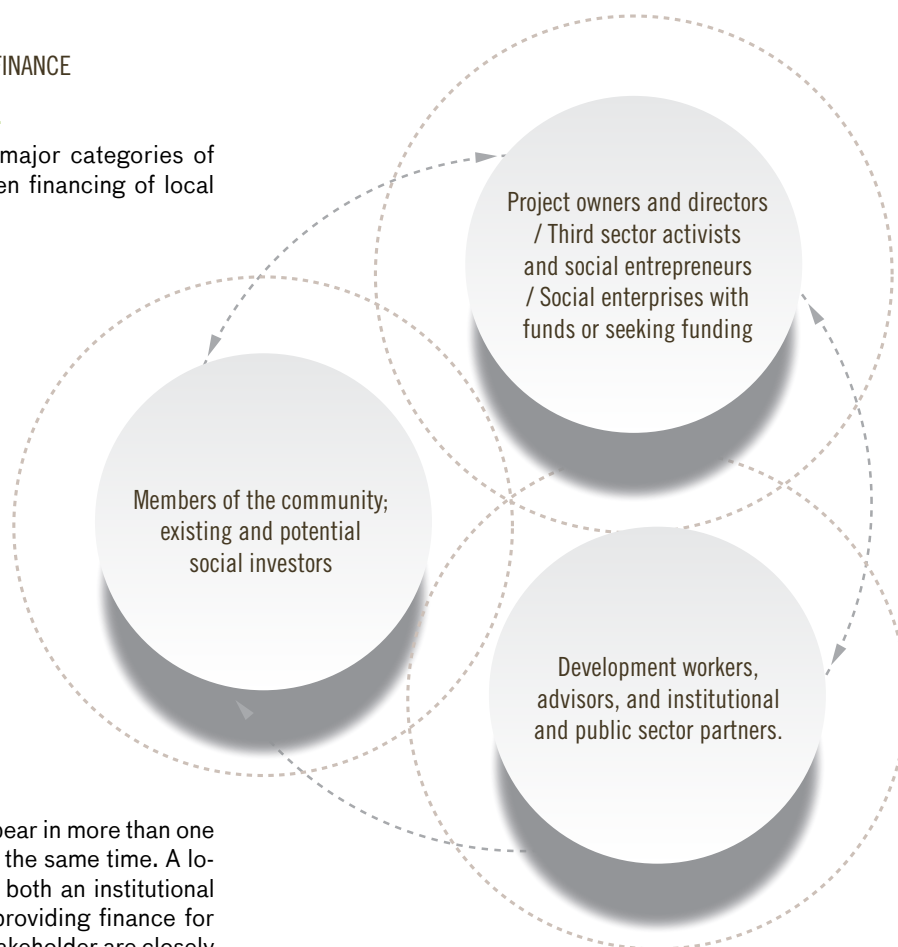
- Learning about and getting to know the local stakeholders involved in citizen finance, and the tools and practices employed
- Defining a methodology for the action research phase
- Getting things moving locally
- Building tools
- Raising awareness, communicating and providing visibility
- Learning the local funding system in detail

2. Aims

I. GETTING TO KNOW LOCAL CITIZEN FINANCE

Three categories of stakeholder

During the FEED project, three major categories of stakeholders involved in the citizen financing of local projects were identified:

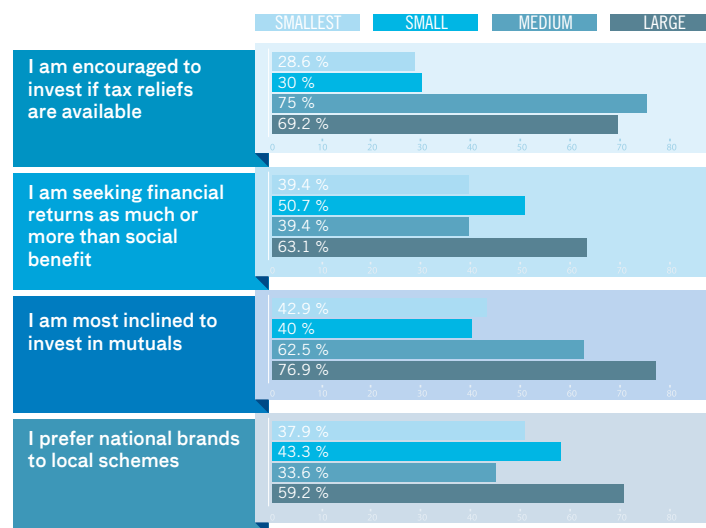


Some local stakeholders might appear in more than one category, either successively or at the same time. A local authority, for example, can be both an institutional partner of one enterprise whilst providing finance for another. The three categories of stakeholder are closely linked, and they interact to develop local citizen finance.

Research³ for the UK's Community Shares Unit and experiments suggests that there are four major sources of motivation for community investors:

- **The local community investor:** interested in creating or maintaining local facilities, for example community owned pubs and shops
- **The community of interest investor:** wanting to create or maintain facilities they have an interest in for social and/or environmental return
- **The social investor:** an institution or high net worth individual interested in receiving a blend of social/ environmental and financial return
- **The ethical investor:** an individual with no obvious connection to the enterprise, wishing to invest primarily for the social return but not foregoing some financial reward – either low levels of interest or a tax relief incentive.

and our own research during the FEED project found that expectations differed depending on the amount invested:



Current tools and practices for citizen finance

The first phase of the FEED project made it possible to observe existing practices (with French and English ventures that already had experience of raising citizen finance) and to collect statements from local people. The FEED project team produced case studies of ten social enterprises that were financed by local community resources. These were published together under the title “**Amicable Finance: experiences from our local communities**”: www.somerset.coop

³ Research about citizen finance, Wessex Community Assets, September 2010

II. DEFINING A METHODOLOGY

As part of the action research phase, the FEED project team defined a methodology for the development of local citizen finance and tested it in each of the three areas. A seminar was held for all the members of the FEED project team at end March 2014 in Redon, during which three work streams were identified for the second phase:

- **Getting things going locally:** the development of local citizen finance involves local stakeholders. The FEED project team decided to involve local stakeholders from all three of the previously identified categories in each of the areas. Even if the three areas had much in common in terms of developing local citizen finance, the team decided to leave the local groups a good deal of freedom to decide how to organise themselves and set their objectives... and so be able to take into account the specific characteristics of each area (background, legislation, history, stakeholders, etc.).
- **Building a 'toolbox'** that clearly sets out the financial tools available in each area, how to use them, and their advantages and limits.
- **Writing the FEED handbook:** taking an objective view of the group dynamics from an action research perspective; helping to share the project, describe the team's experiences, and disseminate the conclusions drawn from the experimentation.

The methodology developed by the project team also included the possibility of testing the deployment of citizen finance for projects in the areas. These tests were organised by those who initiated the project or activity and were supported and facilitated by the local working groups.



III. GETTING THINGS GOING LOCALLY

To develop the use of community resources with a view to funding local initiatives, the FEED project team designed a methodology that made it possible to involve the stakeholders identified in Somerset, Brocéliande, and Redon.

At the end of the first phase of the project, local stakeholders were invited to attend feedback meetings held in each of the areas, providing an opportunity to report back on, and share, the observations made during the first phase of the project. Local working groups were formed, with the purpose of developing citizen finance locally. These groups then met on a regular basis to organise local activities concerning citizen finance.



IV. BUILDING TOOLS

In addition to the awareness raising and communication tools that are discussed later in the handbook, the FEED project team also worked on building two new tools for developing the use citizen finance: a financial 'toolbox' and the FEED social investment handbook.

The local citizen finance toolbox

The subject of financial tools to help deploy available community funds for use in local projects arose rapidly in all the areas, whichever category of stakeholder was involved in the funding. **Project owners** wanted to know about the available tools and in which circumstances to use them, whilst **potential investors** wanted more information about how to become involved in financing projects in their respective areas. The **support networks and partners** wanted more general information about the existing range of solutions for raising awareness, and encouraging the working groups to envisage using appropriate tools.

The financial tools identified during the course of the FEED project have been listed in a table, which gives a precise description of each, when to use them, and their pros and cons. The table is available on the FEED internet page. For reasons of interactivity, updating, and practicality, the table has been compiled in web format, and is available on the FEED internet page.

These are some examples of citizen finance:

• direct

(where the investor has a direct connection to the project, either as a member, director, customer, etc)

DONATION

Direct donation

Crowdfunding

LOAN

Private loans between one individual and another
Loan linked to current account

PARTICIPATION

Community Shares
Volunteering / membership

OTHER

Pre-payment / advance payment (Amap, CSA)

• indirect

(where there is an intermediary involved, like an independent financial advisor)

THROUGH ORGANISATIONS WHOSE MAIN OBJECTIVE IS NOT FINANCING

'rounded up' contributions from receipts or payroll

VIA A FINANCING STRUCTURE

An investment club (Cigale)

Endowment Fund

OTHER

Local currency

V. RAISING AWARENESS, COMMUNICATING AND PROVIDING VISIBILITY

The first meetings with local stakeholders highlighted the following:

- most people had some knowledge of citizen finance. Many, whatever category of stakeholder they were from, knew about the principle of financing a project by raising money from local people. However, they were relatively unaware of the forms that such fundraising might take and, therefore, the available financial tools.
- the potential investors had little knowledge of the local projects that were seeking funding. The existence of these projects or activities was not visible and they rarely had any detailed information.
- the projects in search of funds were largely unaware of the sort of information that the potential investors were looking for; and social investors had little room to express their needs to the project owners or development workers.

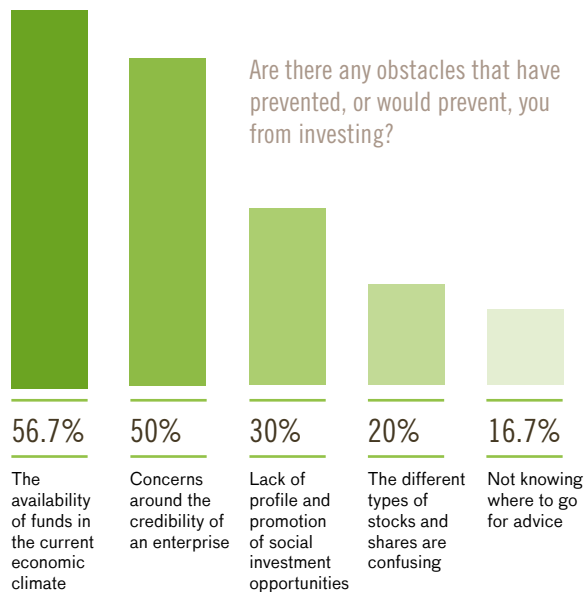
Raising public awareness of citizen finance as broadly as possible, sharing knowledge between the local stakeholders and effectively promoting projects in need of funding were clearly the key to the development of the sector. The FEED project team and the local working groups therefore set about exploring potential tools to improve communication and raise awareness.

The objectives were therefore as follows:

- to develop project owners awareness of the tools that exist and the ones most suited to their particular project
- to make the projects known to the potential investors
- to demonstrate to the general public that it can influence what happens locally by taking positive control of finances and investments
- to encourage entrepreneurial initiatives by demonstrating that resources are available to support and finance projects

The tools developed during the FEED project across the three areas were:

- **newsletters**, to provide information about the progress of the work being done in Brocéliande, Redon, and Somerset; about FEED in general and the experimental projects. Newsletters were distributed to all those involved in the project, and to people who had expressed an interest in FEED and wished to remain informed.
- **Facebook**:
 - a "FEED Bretagne" page.
 - a "Research into Citizen Financed Community-owned Enterprise - FEED project" group.
- **the local press**: the projects or activities under development and being supported by the research programme were given regular coverage in the local press.



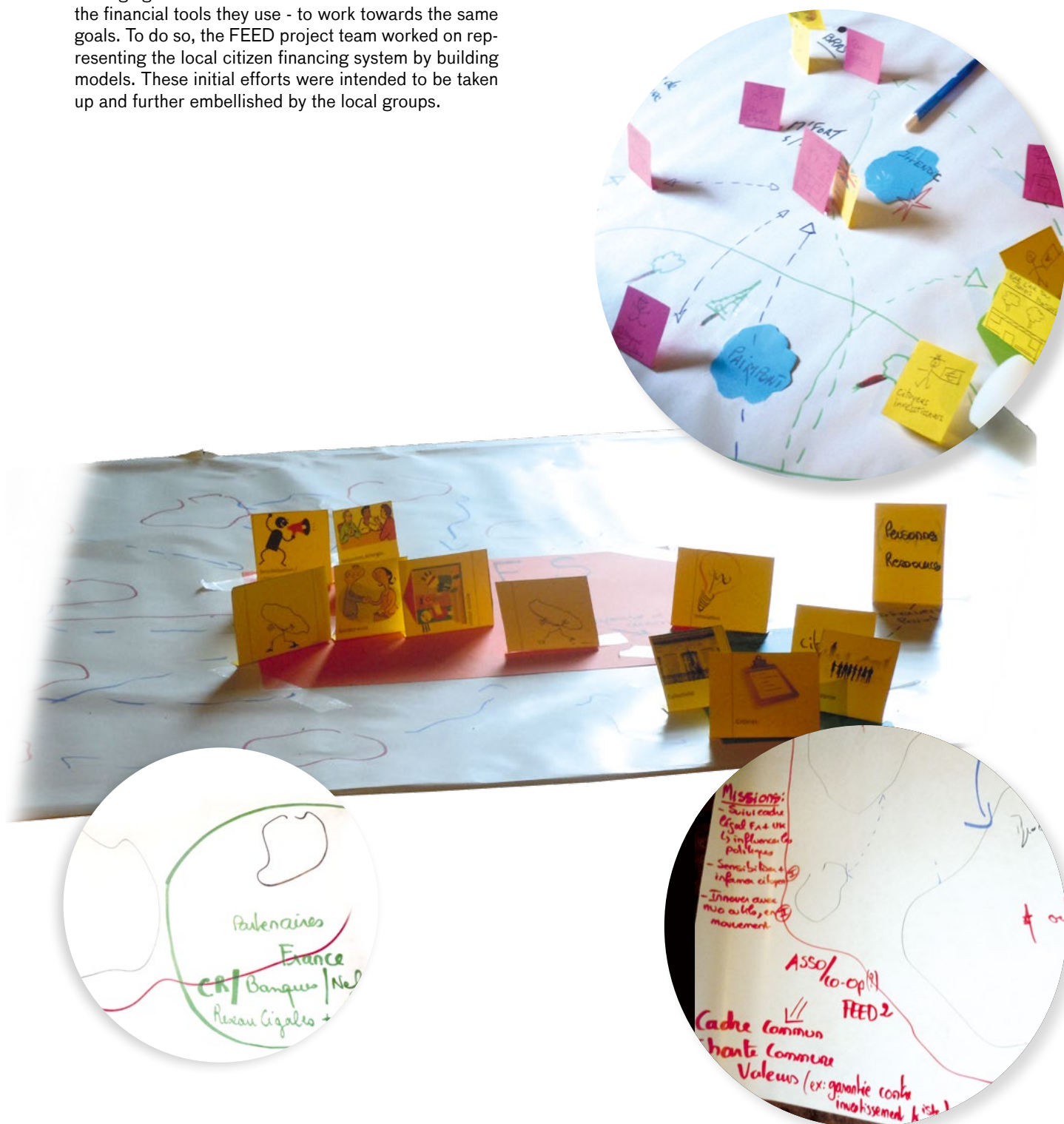
Newsletter example



Article from Somerset County Gazette, 5th July 2014

VI. LEARNING THE LOCAL CITIZEN FINANCING SYSTEM IN DETAIL

Promoting the use of local resources to finance local projects requires objective analysis and facilitation; encouraging the entire network of local stakeholders - and the financial tools they use - to work towards the same goals. To do so, the FEED project team worked on representing the local citizen financing system by building models. These initial efforts were intended to be taken up and further embellished by the local groups.



THE PRACTICAL APPLICATION OF CITIZEN FINANCE

1. Focus on each research area

Redon

The local group focused on communication and connecting **project owners and potential community investors**. We made use of an event to talk about citizen financing: the inauguration of the *Éoliennes de Béganne*, the first community wind farm in France, which was the perfect opportunity. Two project owners seeking citizen financing came along to present their plans and were supported by the members of the group. There was a lively discussion with the other participants and, over the following weeks, both projects were fully funded.

Somerset

The local group developed a variety of consultation tools, gathering data from project owners, members of the public, and partners: utilising e-questionnaires, public events, surveys, e-forums, social networks, and meetings.

As a result, the local group's suggested tools included:

- a new online platform that could support and enable non-monetary contributions such as volunteering and local currencies.
- a new way of securing seed investment for early-stage projects to enable this type of development work.
- the development of an effective marketing and promotion strategy for the sector; a national publicity campaign; using electronic media and social networking. With various initiatives such as a 'young person's guide to co-operating'; there was even some discussion about holding an annual Co-op Festival.

Brocéliande

The local group decided on an action plan to develop citizen financing in the area by:

- Putting in place a **volunteer support group for project owners** to help them raise participatory finance locally and develop communication tools.
- Organising **meetings between potential local investors and project owners** in public places and spaces (e.g. cafés...).
- Promoting projects that are seeking funds using local networks.



2. How to develop citizen financing

As mentioned previously, there is insufficient knowledge of the available financial tools among many of the stakeholders for them to be able to develop the use of community investment. The team remained objective in order to be able to draw conclusions as FEED progressed. They are presented here in three sections, one of each of the stakeholder categories.

I. FOR CITIZEN INVESTORS HOW TO GET INVOLVED SAFELY AND FAIRLY IN LOCAL PROJECTS?

developing general knowledge of citizen finance

- It is not necessary to have large sums of money to be able to invest in social enterprises. An **investment can be modest** from a financial point of view, but still contribute towards raising enough funds to develop a local project or business (“mighty oaks from little acorns grow”). The Grom project, monitored in the context of the FEED project, raised an average of € 36 per person for the pilot phase (143 contributors for a total of € 5,121 using a crowdfunding platform)
- There are **multiple ways** of supporting a social enterprise as an individual member of the public. The first is volunteering: giving time, sharing knowledge, skills, and access to a network are all important when supporting a social enterprise. This form of investment is essential for these projects, especially among associations. From a financial perspective, subscribing and giving donations to an organisation are the most widespread forms of financial participation in a third sector structure. However, these forms of financing are more suitable for community groups and charities, whereas there are many other types of social enterprise that develop local projects and businesses with a social value. The third sector in France concerns any organisations that respect the three principles set out by the Third Sector (ESS) law of 21 July 2014³. In England, there are three legal forms typically used by social enterprises to raise funds from private individuals: these are co-operative societies, community benefit societies, and (with certain limitations) community interest companies.
- A **good knowledge of the available financial tools** is a factor that facilitates the development of citizen finance (membership or association shares, not-for-profit association or withdrawable shares, loans and bonds...).

- **Networks exist to support the development of the third sector** in France and England. They are resources to help promote knowledge of citizen finance. In France, they include the Regional Chambers for the Third Sector Economy (known as Cress), Finansol, and the federation of Cigales (or investors' clubs). In England, there are Co-operative Development Bodies and financial advisors specializing in ethical investment associations (ethicalinvestment.org.uk).

- In any area, it is possible to find resources. In France, for example, there are development advisors and, in some regions, local third sector hubs. In England, there are national resource bodies, such as the Community Shares Unit and the UK Social Investment Forum.

Considering return on investment in all its forms

- When talking about financial investments, we generally talk about return on investment in the financial sense of the term. The return on investment (dividends, tax incentives...) is more or less advantageous depending on the financial instruments in question – often less than more, because the very principle of social enterprises is social value and not maximum short-term profit for the shareholders. However, the return on investment should not be reduced to a purely financial consideration when it comes to social investment.
- It is important for each investor to consider the amount they can comfortably invest in the light of the direct and indirect benefits that the sum will produce.
- The benefits can also be non-financial. Apart from material gain, the satisfaction for the investor in contributing to the life of the local area (in terms of jobs, healthcare, services...) is often a major benefit.

« I chose to join the Agricultural Land Group 'Les sociétés TERRES de la vallée d'Oust' in order to help a farmer use the land without having to buy it ».

Laurianne, Redon

³ Grom is a series of 20 three minute episodes, with a Kokoschka puppet and everyday objects.

⁴ Being at the service of sustainable social development; allocating profits for this purpose and not to enrich the shareholders; taking collective and democratic decisions. Social enterprises thus include co-operatives, mutual societies and associations, as well as commercial undertakings that espouse the same principles.

Defining one's own criteria for ethical investment

- The return on investment from citizen financing cannot, therefore, be measured and quantified solely from a financial point of view. Each investor must define the criteria for themselves. Which project do they want to support financially? In which field of activity (culture, healthcare, tourism, education, the environment, sport...), with what social impact (the creation of jobs locally, inter-generational ties, protection of the environment...)?
- These selection criteria are extremely varied and strictly personal. They can be shared (wholly or partly) with other people who intend to provide financial resources in support of local projects and, in this case, it can be interesting to encourage meetings between local investors to discuss these criteria and the social projects or organisations that meet them (see responsible investment clubs, below).

Being clear about the ability to invest

- As for any investment, citizen financing requires each person to examine his or her financial means. How much can I invest in a social enterprise either on a one-off or on a regular basis, without adversely affecting my own budget? Once again, the sum does not have to be huge when it comes to using citizen financing tools. However, such investments are often long-term. It is also necessary to examine one's ability to invest for the long-term as well as the amount itself.
- The general enthusiasm for a project or an activity can encourage some people to invest beyond their limits. We need to remain cautious and not exert moral pressure on people to persuade them to invest their financial resources.

« I'd like to see us shrink back from globalisation. If we could live within communities, producing our own energy sustainably, and relying on others in our communities more – we can have a huge impact! ».

Sarah, Wellington

« Because of co-operating, people are happier, more creative, and less isolated – co-operating is healing for people, communities, and the planet! ».

Nicole, Glastonbury

Meeting with the local social enterprises

- To be able to commit their financial resources, citizen investors need to get to know those involved in the third sector and their projects. It is not easy to identify projects that are looking for funding and even more difficult to know what the advantages, risks, and outlook are for the activities that local groups and social entrepreneurs are trying to develop. This information is not generally available or visible. This is one of the most glaring observations made during the FEED project. Daring to meet with the social enterprises, asking questions, helping them to spot areas of weakness in their plans – not to prevent initiatives, but in a spirit of help and support – to structure a proposal and make local initiatives more visible. By adopting a facilitating stance to help project owners and social enterprises, the support they need can be provided.
- If acting as an individual is a frightening prospect, there are shows, festivals and the events organised by third sector bodies where it is possible to meet them.
- Relying on a personal network is also a good idea that one does not necessarily think of. Asking questions in the groups and associations where one is a member, or asking neighbours, or at the town hall, etc.

Joining or creating a responsible investment club

- Responsible investment can be approached in a group as part of an investors' club. This makes it possible for individuals to pool their resources and discuss the projects, risks and opportunities... The club can become the means of communicating with social enterprises seeking funding and, through questions prepared as a group, help project owners to present more effectively the activities they wish to develop. The investors' club also helps to spread the risk of investing by mixing projects and financial tools.
In France, the best-known responsible investor clubs are Cigales. Cigales also provide support and advice to project owners and give opinions about the feasibility of their projects. The investors support the owners of projects. They are grouped into federations (regional and national) that support the individual clubs, including by bringing projects to their attention.
- In England, responsible investment clubs are not so well developed, but they do exist in some areas. At the Red Brick Building Centre in Glastonbury, a small local investment club provided the impetus to acquire premises and attracted other members of the community to support the project.

Specifying the level of involvement and the governance of projects

- The level of investor involvement in a project is something that needs to be properly defined before committing. There are different degrees of involvement. There is financial commitment and also involvement in governance:
 - > Financial commitment is defined in terms of the amount (the sum invested) and the availability of the funds (period of commitment, ability to withdraw and recover the funds).
 - > Commitment to governance is defined by the degree of involvement of the investors in the decision making process. Investing in a community owned enterprise (such as SCICs in France or Community Benefit Societies in England) by buying shares means that the investor becomes an associate or member and therefore takes part in making strategic decisions and managing the enterprise. This is not the case if the investment takes the form of a bond. The rules of governance are set out in the statutes of each enterprise. It is important to be aware of these and to ask the right questions to decide on the level of commitment. It is also possible to seek help from the network of development bodies and advisors that exists to support social enterprises.



Buying from social, third sector enterprises

- Another form of financial support exists to help develop local social enterprises: trading with these enterprises. For example, becoming a regular and faithful customer of an organic grocery is another means of supporting the development of the business in question.
- Local currencies, such as Transition Pounds, can encourage transactions with responsible local enterprises. The way that these currencies work varies from one place to the next; however, the model is always a variation on a local, closed circuit financial system. In some areas, business can only accept the currency if their production and distribution processes, working conditions for employees and impact on the environment have been approved by an ethics committee. Using a local currency contributes to the development of resilient local and social enterprises.



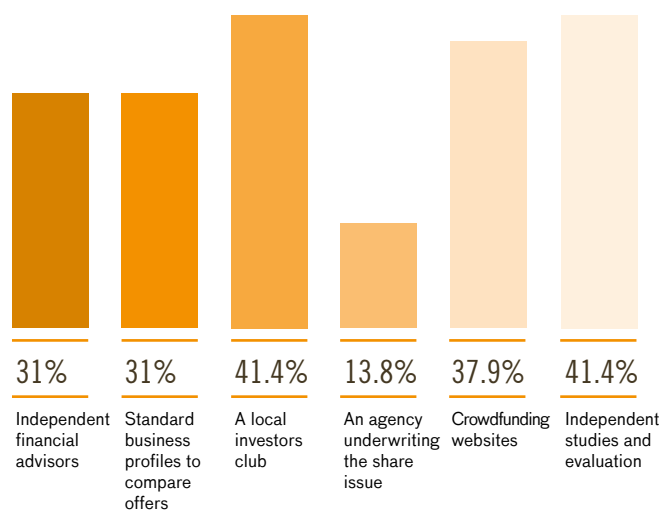
Being an ambassador for citizen financing for the general public

- Once a working knowledge of citizen financing has been acquired and the arguments in favour of its development mastered, there is no reason not to promote this form of local investment to friends, neighbours, colleagues...
- Third sector support networks can help with this.

« Alternative to capitalism, citizen finance is socialist money – it helps others! »

Earl, Taunton

What has helped, or would help, you to decide on an investment?



II. FOR PROJECT DIRECTORS AND SOCIAL ENTREPRENEURS SEEKING FUNDING: HOW TO USE CITIZEN FINANCE TO DEVELOP LOCAL ACTIVITIES

Project owners and social entrepreneurs seeking to develop activities for the benefit of the local area often struggle to find suitable sources of funds. This section of the handbook offers some advice and some examples of different and innovative ways of raising citizen finance and involving the local people in both France and the UK. Obviously, the legal framework and organisational models differ between the two countries. Nevertheless, we have attempted to establish some general principles and provide examples that apply on both sides of the Channel.

Communicating, making the project known

- Over and above a working knowledge of citizen finance, it is necessary to make the project known in the local area. Before launching into fundraising, potential investors need to be made aware of the project. The communications strategy must be suited to the project. It is advisable to decide on it before fundraising in order to use the right media at the right time. It can be based on local media (press, radio...), association networks, social media, etc.
- Communications can also make use of existing events that appeal to the local population (Le mois de l'ESS and the Semaine de la Finance Solidaire in November in France; Co-operatives Fortnight at end June, Ethical Investment Week in May and Social Saturday in September, all in the UK) and by using the development and support networks, which can be very useful when seeking community participation.

« FEED helped us to build relationships with individuals who wanted to support the project in different ways. »

www.somersetcclt.org.uk

« The second share issue needed a careful plan of action with everything synchronised – nearly all new investors have been gained through personal contact rather than leafleting and press releases. »

brendonenergy.org



Using citizen finance resources

- To identify the right financial tools and be able to present them, there is no reason not to call on the networks that help develop and support social enterprises. It is necessary to use financial tools that are suitable for the enterprise and the project: donations, community shares, pre-paid orders, investment clubs... The type of activity and enterprise defines the most suitable forms of citizen finance.
- A wind farm can raise capital⁵, by issuing shares; dividing ownership between the members. The financial support of an agricultural co-operative can be different. It can take the form of pre-paid orders or subscriptions, as is the case for smallholder associations (Amaps) in France.
 - Once the financial tool has been selected, it is important to be clear on the tax and legal issues that go with it. Being able to answer questions about these aspects is important and helps to build a climate of trust.

Donations to associations provide tax relief: in FRANCE it is 66 % and in ENGLAND 20 % of the amount donated.

Working on combining resources

- The funding of a project or activity must be approached as a whole. Citizen finance can logically be combined with other sources of financing (the classic approach using a blend of bank loans, self-financing, and public grant funding). Community funding, in an overall financing system, can provide a lever to attract other funds.
- Combining resources for local third sector projects reflects the different types of added value of those projects: social impact, value to society, general interest and the commercial value of the businesses.

In the UK the Community Shares website provides guidance, good practice and examples for community enterprise considering or developing share offers. In this way you can balance risk and reward by offering your investors real financial incentives as well as the opportunity to get more involved as volunteers, users of services or Board members. Co-operatives and Community Benefit Societies offer withdrawable shares which can be repaid once the project is up and running. A further benefit you can offer your investors is Enterprise Investment Scheme tax relief.

⁵ Share capital: share capital consists of all the contributions (in cash, equipment and in kind) made by the shareholders at the time of creation or when increasing the capital of a company. In the balance sheet, it appears as the sum of the number of shares by their face value.

Developing an offer document for a project

- In every case, the potential investors need to have sufficient information about the project or activity to be financed. The notion of trust is important when raising funding from the community. Transparency about the project helps to establish this trust between the project owner and the investors.
- Three dimensions can be included in the document to promote a project or activity: how it fits in with the local area, its social value, and its governance – including the position and role to be offered to the investors (information, consultation, debate, decision...).
- The document must reflect the investors being targeted and their assumed reasons for wanting to invest (see 'Identifying the local stakeholders' on page 7).
- The document must also take into account the level of risk inherent in the project. Even if it is relatively low, the risk always exists. The investor needs to know how the project fits with its environment, what the trends in the market are, and how he or she might be directly or indirectly affected.

Defining the governance of the project or activity to be financed

- It is important to clarify governance, either before fundraising or with the investors. This later approach enables investors to express their expectations and needs for themselves.
- What sort of involvement is required in the project or activity? Is it purely financial support? Is there to be any shareholding taken up in the enterprise or involvement in the decision making process? Is voluntary support possible or desirable?
- What will the relationship be between the people providing the funds and the project owners? For example, asking people to throw some money in a collecting tin is not particularly innovative and does not necessarily offer any special relationship between the funder and the funded. However, studies have shown that when it is possible for someone to take up a shareholding in the business and get involved in the project, then he or she is prepared to invest larger amounts in exchange for more involvement and influence⁶.
- Is it relevant or not to allow room for local investors to contribute to putting together the project? The benefits and possible risks of their involvement need to be weighed when deciding on how to manage the project.

Communicating, being transparent about the project, its state of progress and the economic, social and environmental situation

- All the people involved in developing a project or activity form a micro-community. This community will be even more active and motivated if progress is widely circulated and communicated.
- The community will also be all the more active if the local investors are informed about the successes the project has achieved. Sharing and celebrating success with the investors and others involved in the local funding of projects! Fun is often a great driver for the people involved!

Taking part in activities to raise awareness

- If project owners who have developed their activities with the help of citizen finance tell their story and take part in raising awareness, they provide credibility for the further development of this type of funding.
- Raising awareness can be facilitated by the networks that support the third sector (Cress, Urscop, Co-operative Development Bodies in the UK, organisations that provide local support or DLAs in France, local authorities...). Many of them are organized as mutuals or associations: getting involved with them is essential for spreading the word to the general public and local communities.

« Collective/co-operative decision making; making use of wide-area and variety of expertise of different people, makes decisions that are stronger and more lasting: 'beyond consensus' decision making – seeking higher purpose. »

Jane, Wellington

EXAMPLE: Somerset Co-op CLT: some of the volunteers have become investors and some of the investors have become volunteers. One keen gardener, who has spent a lot of time clearing undergrowth in the neglected back garden and planting vegetables, went on to invest a significant amount. His wish to be involved meant that he needed to be a member; in turn, this gave him the confidence to invest some of his savings in the resource he was building. These investments of share capital were not enough by themselves to buy or renovate a house, but they encouraged a bank to lend secured loans almost twice as large as all the share capital.

⁶ Wessex Community Assets research in 2010 for the UK Community Shares Unit. communityshares.org.uk

III. FOR PARTNERS AND SUPPORTERS HOW TO FURTHER ENCOURAGE THE SOCIAL ENTERPRISES IN THEIR AREA?

How can the leading lights in communities and supporters of community enterprise encourage local initiatives and promote opportunities for the mobilisation of citizen finance? Many people active in communities have no experience of social enterprise and nor have much money to invest, but they can still play an essential role in creating and maintaining a climate of confidence that favours the development of community investment. They provide support for the Directors of enterprises, and can communicate the needs of the local area to the social entrepreneurs that can meet them.

Encouraging local investment by example

- One of the most effective ways of encouraging the development of citizen finance is to showcase successful examples from other areas and in different fields of activity (local shops, crafts, housing, energy, etc.). Examples of initiatives help to bring out the ideas of local people about what else it might be possible to do. Local agencies can facilitate the highlighting of these other initiatives and lend their credibility.

Shedding light on the needs and encouraging understanding in the local area

- If you have an objective view of your local area, then use it! This can help to identify opportunities for developing activities. What unsatisfied needs exist in the area? What skills are undervalued or neglected? What expectations of the local population are not being taken care of? This overview of the area is a precious thing. It gives a good indication to both project owners and local people for identifying an activity with a future in the area. An activity that fits with known needs and expectations is more likely to be met with trust.

« I'd like to see more info in the community, maybe online/web/Skype sessions to promote and learn about the experience of existing investors and community owned social enterprises. »

Comment from UK Social Investors' survey

This is how community owned village shops have spread so rapidly in Somerset - people who have visited other villages and seen how local funds have been used to buy, equip and launch a village shop have gone back to their own Community Councils, workplaces and social networks and told others what they have seen. This word of mouth is positive and powerful. The Plunkett Foundation recently reported that there are now over 316 community shops in the UK, with a total turnover of around £48 million.

Encouraging meetings between project directors, third sector activists and citizens

- The support networks and activists facilitate contact between the local community and project owners. The FEED project has made it possible to set up local groups in each area. These meetings can take different forms: working breakfasts, investment clubs and relaxed meetings to present and discuss projects...
- Meetings can also take place during other events, shows and seminars...

Strengthening the trust of the general public

- Two questions often asked by potential investors are "How can I form an opinion about the relevance of the project I want to support?" and "How can I measure the level of risk of the project I am about to invest in?" One possible way of reassuring people is to bring financial and management skills to bear on the projects. If expert accountants and financial advisors can attend the meetings between project owners and potential investors from the community, their presence can help to answer technical, tax related and financial questions more easily.

Circulating information about citizen finance in the area: communicating and raising awareness

- Communication happens at several levels:
 - > general information to raise public awareness of citizen finance
 - > specific information about local projects and social entrepreneurs
 - > communication related to coordinating the local network of potential community investors and project owners seeking citizen finance.
- Newsletters, sites, and internet pages devoted to the latest news about local funding, press articles, local radio stations, circulating information during meetings between local people... All these tools need to be coordinated.
- Promoting local citizen financed initiatives: the public and the media are generally quite enthusiastic about success stories, illustrated by photos, videos... Even if the local initiatives are still underdeveloped, there is no reason not to showcase successes from other areas.
- These communications also help to publicise opportunities within the area. For example, in England, the local authorities may be required to transfer the ownership of buildings at prices below market value to players in the third sector. This is intended to strengthen the ability of a social enterprise to invest by allowing it to become the owner of the premises it uses.

Sign-posting potential community investors and project owners

- Community groups and local agencies are often the first point of contact for members of the public and social entrepreneurs looking for general information about citizen finance and the various tools available. They provide the initial information about local experience and signpost people towards more specialised advisors depending on their needs. They have to know where to send them.

Organising and sourcing the monitoring of citizen finance issues

- Support networks can encourage the development of citizen finance by gathering intelligence (publications, articles, initiatives that seek to use community investment). To do so, they can get in touch with support networks in other areas or with organisations that are active in the field. In France, the ESS Laboratory coordinates a group working on community based financial tools on a national level.

Coordinating the support and advisory networks and the partners

- Support for community enterprise is more efficient and visible in a given area if it is properly coordinated. We should work towards a co-ordinated network of specialist support agencies that are well resourced and networked.
- In France, depending on the area, the support networks for third sector players are already quite well organised. In Brittany, there are third sector development hubs in 15 of the 21 areas. They can be approached and some, like Cades and Bras are already active.
- In England, third sector development and support organisations, such as Co-operative Development Bodies play this coordination role. In the South West, there is a network of co-operative development bodies called South West Co-operative Support, which is active in supporting community shares offers in many communities.

« As a new business, taking part in FEED helped our directors to have a better understand the different types of investment tool available, and the processes involved in using them. »
avaloncommunityenergy.co.uk

These are the current findings of the FEED project, We hope that you will continue to explore the potential of citizen finance. If you would like to build upon the work published in this document, then you can do so under our Creative Commons copyright licence.

Options

FOR THE DEVELOPMENT OF CITIZEN FINANCE

APPRAISAL OF THE FEED PROJECT

The Anglo-French FEED team changed over time. Some people participated throughout the project, while others were only involved in certain phases or for specific periods. In the end, the teamwork across the three areas helped to facilitate the time, resources, and energy needed to develop citizen finance.

FEED made it possible to get to know other stakeholders interested in the subject in France and England.

The Anglo-French team also encountered some difficulties during the course of the FEED project:

- agreeing on the meaning of terms and words that do not reflect the same reality in France and England;
- identifying similarities and differences between the French and English tools due to a different legal framework;
- defining a working method that could reconcile the need to coordinate the work on the FEED project itself and still allow for freedom of action in the three geographical areas.

We overcame these difficulties by seeing past the institutions, laws and organisations that are particular to our own countries and refocusing on the relationships, aspirations and values that consistently underpin the best examples of common wealth.

SOME POSITIVE FACTORS ENABLING THE DEVELOPMENT OF CITIZEN FINANCE

Suitable means of communication: the internet and social media

- Citizen finance involves many different types of investor being active in the same project, with each one generally making a relatively small contribution. Creating and maintaining, or even developing ties between large numbers of people is costly and requires a lot of time if the right technology is not put to good use. With the internet and IT systems that make it possible to process large amounts of data online, the issues of time and cost can be addressed. The social media and forums can be used to exchange information on the project, its management, its state of progress, ways to improve it, as well as new ideas, exchanges between volunteers... A large community is powerful when it is organised.

Limited financial risk

- Since the financial crisis in 2008, the banks have been at pains to demonstrate that they do not use their customers' savings for casino-style gambling. However, the system is still based on the short-term maximisation of profits. Some social enterprises propose a lower return on investment in financial terms than traditional investments, well below the levels that these institutions are looking for. The risks, however, are reduced through the control exercised by managing the investment for the benefit of the community.

The disengagement of public finance

- In Europe, the level of sovereign debt has reduced the room for manoeuvre of governments. The social value created by social enterprises is being funded less and less by public money. Yet the needs of the community still exist, more than ever, and the value added by the third sector economy is increasingly acknowledged by the general public.
- Without wishing to replace the actions of public authorities, communities are providing more and more support for local initiatives. Financially, it is no longer all about donations or subscriptions. Some people are prepared to go that much further by investing their savings in local enterprises.



CONSEQUENCE: CITIZEN FINANCE TRIGGERS A VIRTUOUS CIRCLE FOR LOCAL DEVELOPMENT

- Maintaining and creating local jobs through the activities that are funded; the development of efficient, effective channels; the social impact of the projects undertaken – these are some of the many reasons for continuing to develop citizen finance. The more successful initiatives there are; the more confidence there is – and the more progress can be made towards using community investment to finance local projects.



FUTURE DEVELOPMENT

FEED has been able, through working with local stakeholders (project owners, local people, and support organisations) to identify the drivers for the development of citizen finance in France and England. The experiments being conducted by FEED are still in their infancy. For the future, the partners in FEED have identified five areas that require more work:

- Identifying the problems and opportunities in the law that could affect the development of citizen finance and passing on this knowledge on to practitioners. Some legal provisions already appear to be obstacles. For example, direct loans from private individuals to legal entities are limited in France and the UK's new Social Investment Tax Relief is underdeveloped.
- Entrusting the mission to develop local citizen finance to a broad partnership of statutory and voluntary agencies – its mission would be to connect project owners and citizens and to support and encourage both, with the help of specialised social enterprise development bodies.
- Producing and distributing an informative leaflet to present the financial tools used for citizen finance. Based on the table compiled as part of the FEED project, which is very detailed and technical, a single sheet presenting the various available financial tools in a graphic way would be a great asset when attempting to raise awareness.
- Developing and enhancing alternative local currencies by learning from best practice. Some of the benefits they could deliver include counter-cyclical finance (boosting the local economy during wider recessions), incentives for sustainable business models, and increasing economic democracy. However, these beneficial outcomes are rarely achieved in combination or systematically.
- Extending the research into citizen finance and co-operative social enterprise to other communities in Britain, England, France, Europe...