The Need For Finance

As is the case with any business, social economy organizations have a need for finance dictated by growth and consolidation objectives, which in turn are functional to the type and size of demand and the needs of individuals and communities on which they intend to make a positive social impact. The low weight accorded to the social economy as a financial actor has often undermined the ability to fulfil all its needs with consistent solutions, forcing social economy organizations to use tools and products originally designed for non-social economy entities. But, due to their specific nature and mission, social economy organizations are not well-suited to access financial mechanisms designed to maximize return on capital or to assign investors ownership rights and governance powers proportional to their capital contributions. This entails that many of the financial mechanisms most used by for-profit corporations are not readily applicable to the social and solidarity economy.

As a result of this the social economy, over time, has had to develop autonomous forms of finance (cooperative credit, mutual institutions, guarantee consortia, or member lending) able to respond, at least in part, to its specific financial needs, conceived to satisfy requirements that univocally qualify the social economy and its mission to meet people's needs. Even the growing attention by the financial industry to sustainability factors does not imply that the gap between supply and demand of financial resources in the social economy perspective has been satisfactorily closed. In many cases, the new financial instruments that are created with the intention of integrating elements of social sustainability, although no longer exclusively oriented towards maximizing the benefit for investors (as in the case of impact investing), often adopt evaluation parameters and resource allocation criteria that are not fully aligned with the objectives of social economy organizations.

Over the last few years social economy organizations have started engaging in more capital-intensive activities such as urban renewal, waste management, management of facilities for cultural activities, cultural heritage management, social housing, and others, and this engagement is expected to increase in the near future. This evolution is likely to increase demand for finance, beyond what has been made available so far. From a financial perspective this means the development of an adequate and accessible supply with a blended approach, mixing different tools and strategies, consistent with the specificities of social economy.
organizations (eg: self-financing and surpluses, grants and donations, equity and debt instruments). This approach excludes an orientation aimed primarily at the remuneration of investors, in favor of a reinvestment of profits in activities that produce a collective benefit. It is therefore clear that the tax regime applied to social economy organizations must take this into account, as well as the subjection to the rules relating to state aid.

**Policy Recommendations For Debate**

1. the variety and multiplicity of the SSE organizations to be served needs a precise analysis in terms of proportionality and adequacy, taking into account the various stages of the organizational and entrepreneurial development;

2. for SSE organizations it is essential a mix of different resources: repayable and non-repayable; philanthropic, public, and market-based; for investments, working capital and capitalization. It is therefore important that the policies supporting the social economy facilitate the use of all these resources in combined forms;

3. policies to improve guarantee schemes are crucial for facilitating access to credit or investment instruments;

4. the definition of indices and indicators for measuring social impact must ensure that the values and interests of social economy organizations are adequately considered, and appropriately balanced against the positions of investors and financial institutions;

5. supporting policies for the development of the SSE must recognize and encourage the development of the specific and appropriate tax regimes, according to the rules that prevent or limit the distribution of profits and of assets.

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