



EUROPEAN COMMISSION - PRESS RELEASE

New measures to stimulate funding for social businesses

Brussels, 07 December 2011 - Social businesses are companies that have a positive social impact and address social objectives as their corporate aim rather than only maximising profit. It is a growing sector in Europe, already representing 10% of all European businesses and employing over 11 million paid employees. While these businesses often receive public support, private investment via funds that invest in social entrepreneurs remains vital to their growth. However, such specialised social investment funds are rare or are not large enough. Cross-border investment in such funds is unnecessarily complicated and expensive.

With today's proposal for a Regulation, the Commission lays the foundations for a strong European market for social investment funds. It introduces a new "European Social Entrepreneurship Funds" label so investors can easily identify funds that focus on investing in European social businesses. The approach is simple: once the requirements defined in the proposal are met, managers of social investment funds will be able to market their funds across the whole of Europe. To get the label, a fund will have to prove that a high percentage of investments (70% of the capital received from investors) is spent in supporting social business. Uniform rules on disclosure will ensure that investors get clear and effective information on these investments.

Internal Market Commissioner Michel Barnier said: *"Social businesses embody just the kind of smart, inclusive and sustainable growth and innovation that is so important for today's European economy. Our new measures will help build these businesses across Europe, ensuring they get the financial support they need so that they can grow – especially in these times of crisis."*

Background

Key elements of the proposal

- **A recognised EU brand for social entrepreneurship funds:** Currently, investors can find it difficult to identify funds that are investing in social businesses and this can undermine trust in the social business market. Meanwhile, social investment funds can find it difficult to differentiate themselves from other funds and this can undermine the growth of the sector. The Regulation adopted today creates a common brand: the "European Social Entrepreneurship Funds". With this label, investors will know that the majority of their investment is going into social businesses. In addition, the common EU-wide brand will make it much easier for investors throughout the EU to locate these funds.

- **Improved investor information:** Just as investors can find it difficult to identify funds investing in social businesses, the information available about these funds and what they are doing can be difficult to compare and use. Setting a common EU framework for this information is therefore vital. All funds that use the new brand should in the future clearly publish information about the kinds of social businesses they target, the ways they are selected, the ways the fund will help the social businesses, and how social impacts will be monitored and reported.
- **Better performance measures:** The projected impact is an important factor for investors in choosing between various social investment funds. The proposed measures will set out clear requirements for funds to inform investors on how they will go about monitoring and reporting on impacts. However, more is likely to be needed. The Commission will undertake further work to develop better and more comparable ways on how the social performance of investments can be measured. This will allow for the development of a more transparent investment market and greater investor confidence.
- **Break down barriers to fundraising across Europe:** Rules targeting social investment funds differ per Member State and are often onerous and complex. For this reason, the new proposals will simplify rules. For example, a European passport would ensure that social entrepreneurship funds could raise funds across Europe. Fund managers will not be forced to use the new framework, but if they do, they will be able to gain access to investors across the EU and to a clearly recognisable EU brand that investors will grow to trust and seek out.
- **Availability to investors:** Because investing in social businesses can be risky, the "European Social Entrepreneurship Funds" label would at the start only be available to professional investors. Once the framework is up and running, the Commission will examine possible measures to make such investments also available to retail customers.

Next steps:

The proposals now pass to the European Parliament and the Council (Member States) for negotiation and adoption under the co-decision procedure.

See also [MEMO/11/881](#)

More information:

http://ec.europa.eu/internal_market/investment/social_investment_funds_en.htm

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