



Facility for Euro-Mediterranean Investment and Partnership



FEMIP

Community-oriented economy: A driver of inclusiveness and job creation in the Mediterranean Partner Countries?

Executive Summary

Study carried out by



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COMMUNITY-ORIENTED ECONOMY: A DRIVER FOR INCLUSIVENESS AND JOB CREATION IN THE MEDITERRANEAN PARTNER COUNTRIES?

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I. Why and in what way is the COE important to the Mediterranean Partner Countries?

In the Mediterranean Partner Countries, like in other regions of the world, means of development are challenged by the difficulties in generating employment, sharing the fruits of growth and ensuring that there is a “fair” distribution of economic progress, especially for young people or for certain regions.

The result is the emergence of another way forward, dubbed the Community-Oriented Economy (COE). Although the COE cannot address all these problem areas, it has the potential to become an important aspect of development policy in the Mediterranean Partner Countries. It is FEMISE’s view that the COE opens the way to joint resolution of individual or social deadlock. To that end, the COE has the features that could help it to **become one of the tools for socio-economic innovation that the Mediterranean Partner Countries are calling for.**

- First, **the COE allows excluded groups to be included in the economic process.** When supported by an appropriate public policy, it can contribute to economic security across the full spectrum of population groups and to their autonomy.
- Second, **the contribution made by the COE can be decisive because it is based on regional development and proximity and advocates community participation while prioritising social impacts.**
- Third, the COE could **address the lack of economic diversification.** The COE takes several forms and can be found in all sectors.
- Fourth, **the COE gives preference to local agriculture** and allows a different approach to be taken to the relationship between an individual and food.
- Fifth, **the blueprint and its principles of limited-profit enterprise** make for low exposure to financial market dealings.
- Sixth, **the COE offers a response (including through the development of mutuels) to demographic issues** and to the construction of solidarity within and across the generations.
- Finally, the fabric of COE organisations (assembly, election, participation) is **a training ground in participative values**, in that it is part of an organised expression of citizenship and therefore of ownership of the institutional rules associated with it.

Whilst it is difficult to identify a single, universally accepted COE blueprint that could be “transposed” into the region; to our knowledge, no such blueprint exists. Nonetheless, there are instances of successful practices in some sectors along with mechanisms that could support and finance projects of high social and development impact worthy of consideration and support from national and international stakeholders. However, **developing the COE is a lengthy process, the sector cannot be transformed overnight and a long-term policy is necessary.**

This report has a twofold objective: (i) on the one hand, to give an **overview of the COE in the Mediterranean and identify potential and current bottlenecks** and (ii) to put forward **possible actions to develop the sector by suggesting possible operational tools** that could be introduced, perhaps with support from international sources of funds.

Following an introductory section, the study gives an overview of the current blueprint for the COE in three countries (Morocco, Tunisia and Egypt), outlining the buoyant sectors, means of finance, legal framework and identifying the main obstacles to COE development. The final section presents possible actions to support and develop the COE in the Mediterranean Partner Countries, the options for intervention and successful practices that the Mediterranean Partner Countries could look to for inspiration.

II. A COE is developing in the Mediterranean Partner Countries, but many obstacles still lie in its way

Overall, although the potential for the COE to create added value is fairly low (1% to 2% of GDP), **the number of jobs created is very high** (4% of the population in direct employment, many more if indirectly created jobs are included). Paradoxically, note also that the distribution of activities in the COE is often unevenly spread across the regions, a factor that does not resolve regional disparities. Finally, **there is tangible evidence of the impact of the revolution on the COE sector** in the newly emerging stakeholders and/or debates on new legislative frameworks.

There is extensive diversity in the Mediterranean COE in terms of legal structure, but it is based around the fabric of community associations (including NGOs), cooperatives (less so in Tunisia) and the mutuels sector (does not exist in Egypt). In all the Mediterranean Partner Countries, these organisations face a **lack of means and a shortfall in qualified human resources**. In the main, the COE activities with genuine potential are in the sectors associated with agriculture and fisheries, education and training, social and vocational integration, habitat, handicrafts and the savings and credit sector.

Generally speaking, funding is provided by a public body. Whilst Morocco is considered something of a world model because of its vibrancy, its progressive structure and its government's declared political will, Tunisia is in the early stages and facing an increase in the post-revolution community sector. To its disadvantage, Egypt historically faces a lack of support for the COE. The vibrancy of the COE initiatives has led to work to **develop support and funding mechanisms, but many of them are in the very early stages, fragmented and small-scale.**

Generally speaking, the following points should be noted:

1. In some countries, the COE initiatives under development are still very new and, although led by very committed individuals, **have no sector-specific expertise or management skills.**
2. **There is wide disparity in regulatory frameworks between the Mediterranean Partner Countries.** Some of the legal texts date from the 1960s, and the COE organisations are subject to regulatory gaps and difficulties that results in many of them failing.
3. Sometimes through ignorance of the sector's potential, the State **does not appear to provide the COE and social innovation with sufficient means.** Additionally, private sector intervention could broaden and encourage more rapid development, bringing with it an approach that would benefit the COE.
4. The COE relies on the links between initiatives and the local community. In all Mediterranean Partner Countries, the process of decentralisation is just beginning, and the Mediterranean Partner Countries **lack key public stakeholders to support COE activities.** Most stakeholders in society still underestimate the role and potential of the COE.
5. Internally, COE enterprises, comprising mainly small organisations, have many weaknesses, chief among which are **insufficient and sporadic financial resources** and the low quantity and quality of human resources.
6. **Access to finance is one of the most significant external hurdles** faced by COE enterprises. The organisations sometimes have access to foundations, government subsidies, international sources of funding and charitable bodies, but access is extremely limited or costly.

Current needs tend to encourage cooperation between COE initiatives in countries around the Mediterranean. The COE sector in other countries (for example some EU countries) is well structured and has dedicated funding and support tools. In view of their effectiveness in their home ground and their experience, they are able to help strengthen and develop the COE in the Mediterranean Partner Countries. Essentially, the three countries studied require **a meaningful instrument that can support and finance projects for COE organisations in sectors of high social and development impact.**

III. Possible actions to support and develop the COE in the Mediterranean Partner Countries

As has been noted, the potential and opportunities provided by the Mediterranean Partner Countries can be used to make the COE a principal element of economic and social development policy. It is therefore important **to establish coordination platforms to link the various components of the COE** together in order to implement development projects and represent the social economy in dealings with the public authorities and other economic and social stakeholders.

However, **developing the COE is a lengthy process; the sector cannot be transformed overnight. The structure of the COE ecosystem, the networking of the various organisations, the State, International Finance Institutions (IFIs), NGOs and other national and international organisations requires a long-term policy.** That policy could be supported as part of the new generation of post-revolutionary community agreements. As part of this lengthy process, the following points are worthy of discussion: (i) **reflecting on the idea of establishing ethical banks in each country as a catalyst for change** – that would help to develop a sustainable COE ecosystem; (ii) **development of funding and support tools** designed specifically for the COE sector; and (iii) **consideration of support for a “Social Impact in Med” vehicle which should, in our view, amount to a bespoke tool for COE development in the Mediterranean,** based on the COE principles and, like the COE, requiring a long-term commitment.

1. Reflecting on the establishment of an Ethical Bank in each country as a catalyst for change

Financial institutions are increasingly called upon to contribute to a sustainable economic model. In response, a new type of bank is developing that is more focused on social and environmental projects. These banks maintain a high degree of transparency in their use of project economic viability criteria alongside “ethical criteria” and would appear to tally well with the economic model of the COE.

The aim of these banks is to have a positive economic, social and environmental impact on the collection and use of money. An Ethical Bank can therefore be identified through the **special attention it pays to social and environmental impact values and support for employment and/or self-employment initiatives**, particularly for women and young people, through microcredit and micro-finance interventions. The advantage of this type of mechanism is that it is firmly grounded in the communities where the initiatives are implemented and in all the communities’ socio-economic networks. As a result, **an Ethical Bank has in-depth knowledge of its customers and their projects.** Compared to other financial institutions, Ethical Banks **are more strongly committed to the real economy, have higher-quality equity, experience less volatility to external shocks and have higher levels of growth.** A report on the economic performance of a group of ethical banks was recently published by the GABV and confirms these findings.

At FEMISE, we share the opinion that the establishment of Ethical Banks is the way for the banking establishments to resume their role as a tool for developing their local communities and COE-type initiatives. **Establishing banks of this kind could act as a catalyst for change.** The banks could have a threefold role by acting (i) as an intermediary between the State and the COE sector, (ii) as a mediator between the COE organisations and the banks and (iii) as an intermediary between the COE organisations and international financial institutions.

Such is the role of Banca Etica, the first Italian bank fully dedicated to ethical finance. In its role as an intermediary between the State and the COE sector, Banca Etica focuses on “gradual decentralisation”, in other words a regional structure that allows it to develop the relationships it has with the region and the local shareholder groups. In its role as mediator between COE organisations and banks, it manages deposits made by individuals, organisations, businesses and institutions, and targets them effectively towards COE

initiatives. Finally, as an intermediary between COE organisations and international financial institutions, it seeks to network with international investors who are keen to have a positive social and environmental impact (see section on impact investing). Hence it facilitates access to capital associated essentially with COE activity. It has probably provided the opportunity to over half of borrowers to create new employment opportunities and increase their revenue.

Support could be offered to help organisations such as this to emerge in each of the Mediterranean Partner Countries so that they can target funds towards worthwhile, sustainable, inclusive projects. Banks of this kind **could help bring about a restructuring of the COE, revitalise commercial and non-profit-making banks, and contribute to the development of a sustainable COE ecosystem**. In addition to banking activities, banks of this kind could, in conjunction with partners, build a capital investment tool for the COE. Finally, such banks could become one of the main financial intermediaries and receive refinancing for social enterprises from the State or International Financial Institutions.

Bearing in mind the fact that in most of the countries reviewed, the COE sector is calling for the public authorities to define an operating framework, **ethical banks could be one element of a framework law on the COE** and take the form of a publicly owned or semi-publicly owned bank.

2. Providing finance and support to COE organisations

Providing finance through new tools

In order to contribute to the development of COE community bodies in the Mediterranean, it would be useful to introduce a range of tools tailored to the COE sector to complement traditional funding. Such tools could be led by various organisations:

A. Establishment of a publicly owned ethical bank in each country

The establishment of an ethical bank in each country could act as a catalyst for public and private resources in dealings with the private sector by providing funding instruments with moderate returns.

1. For example, **community titles**, a subcategory of subordinated community bonds, may have a role to play as part of the development of social impact investment. Community titles remain in equity, but investors gain some visibility over repayment and can estimate the timeframe for that repayment. Already, the measures taken in France (new Law on the COE) have revitalised investors' and issuers' interest in these types of products. Therefore, they could be an attractive funding mechanism in the Mediterranean Partner Countries. **However, it is also likely that the development process for this kind of tool in the Mediterranean Partner Countries could, as in France, require some revision of regulations.**
2. Additionally, widespread adoption of **contracts for community contributions** could enable improvements and enhancements to be made to the financial structure of COE organisations. The aim of a contract of this kind is to enhance the equity of community organisations affected with a social purpose that create or maintain jobs through the development of economic activities. The community contribution is different from a loan because the asset or sum of money contributed becomes part of the community association's assets. **Equity loans** are another possibility; they are subordinated, generally long-term loans that could be developed and taken out by community associations or enterprises in the Mediterranean Partner Countries. However, it should be noted that equity loans are not financial securities and therefore may not be appropriate for some investment funds.

3. Another option is **to introduce community seed capital funds to provide small COE Mediterranean community associations in development with an initial step towards structured finance**. A 12-month contribution (traditionally of between €3,000 and €10,000 per community association) would make it possible to finance the investment and working capital involved in establishing or developing a COE organisation. This tool would be made available to small community associations that: (i) are part of a social-utility oriented approach; (ii) create or preserve jobs, and have recently created their first job; and (iii) have an as yet fragile economic model and account for only a small share of economic activity.
4. The organisations that use financial instruments such as these include France Active, a French community-oriented network that seeks to make finance work for people, employment and local communities. However, the success of France Active is largely due to significant support from the State, the Caisse des Dépôts et Consignations and local communities that deposit in regional guarantee funds. For the Mediterranean Partner Countries, **alternative solutions are available to take the place of the national public resources that France uses, including resources that international sources of funding and other international stakeholders may decide to allocate**. Efficient organisation and civil society involvement are also necessary. Recent civil society movements in the Mediterranean show that this area is ready to mobilise and commit.

B. Intervention from the private banking sector

Alongside public ethical banks, the private banking sector could contribute to funding the COE. The professionalisation and development of specialist proximity banking networks would make it possible to distribute products tailored to the special funding issues faced by COE organisations.

5. **It would be useful to encourage banking stakeholders and microfinance institutions (MFIs) to fund COE organisations**. MFIs have highly developed local or regional networks. The credit guarantors are also always close to the micro-entrepreneurs. The MFIs can facilitate access to finance and thereby pave the way for the success of the COE in the Mediterranean. IFIs can play an important role through an allocation specifically targeted at COE organisations and by setting up guarantee funds to provide security for lenders.
6. Each Mediterranean Partner Country could consider establishing a community-oriented investment company. **This would help to support COE organisations, provide funding solutions and establish a link with the banking sector**. Take, for example, the company ISDI (International Solidarity for Development and Investment), which provides financial and technical support to “Local Financial Organisations”, supplying financial services to small COE business-people and farmers in developing countries. ISDI provides funds to develop its partners’ financial activities through capital investment, loans and bank guarantees, and actively seeks out resources from international institutions.

C. Innovative means of funding the COE: investment companies

New, innovative funding mechanisms have emerged based on public savings to be invested in compliance with ethical and community-oriented criteria.

7. An investment company could **partner a COE innovation fund** whose objective would be to support the development of innovative COE projects. For example, this is the model currently used by SIFA (Société d’Investissement France Active) in its INNOV’ESS fund, which confers eligibility for a flexible loan upon any COE enterprise in the process of establishment or development that is providing a socially innovative project. This mechanism differs from the mainstream because **it covers a multitude of possible forms of intervention** including participating securities and equity

stakes supplemented by a contribution to a community partner current account. Finally, use of this tool is subject to raising other funds (for example a bank loan).

8. Finally, through its local grounding, a community-oriented investment company could **provide tools aimed specifically at young people, many of whom, we should note, are in precarious circumstances in the Mediterranean Partner Countries**. For example, an instrument such as CAP'JEUNES enables young entrepreneurs under the age of 26 who are looking for work to set up their own business, establish a relationship of trust with their banker and facilitate relations with other finance providers.

Regardless of the form that the funding takes, we at FEMISE are of the view that **two conditions must be met**:

- **local authority support**, possibly with a contribution from international sources of funds (for example through repayable financial contributions) and,
- **support from a local network of branches** (for example SIFA is supported by a network of France Active local and regional funds which provides financial and other support at all stages of the project).

Possible support from the public authorities and support mechanisms

The structure of support for a COE project is like that for a standard project. This could be a way for **local and regional authorities to help entrepreneurs to make their COE projects a reality**. Successful examples include **local support mechanisms (LSM)** which target COE organisations that want to launch or expand their activities but face difficulties in doing so and need external professional support.

The LSM, a tool found in French “*Départements*”, provides a forum and guidance for COE organisations and organisations with a social purpose more generally. Allocated officials in each “*Département*” that has the LSM take the lead in running the mechanism, providing a welcome, clarification and advice to the organisations. **The personalised support plan** that the organisation is offered is the reference document for the LSM's intervention process. It is given to partners in the local area who are on the support committee so that it can be revised as and when, and so that partners are able to monitor the support measures provided.

The LSM can implement both individual and collective support measures through a specific fund financed by the mechanism's partners. Partners can include the State, the regions or international institutions and investors.

- **Individual support** (short duration, usually between two and six days) consists in intervention at the COE enterprise/organisation targeted by a specialist lender selected in consultations between the LSM and the beneficiary organisation. The flexible nature of the mechanism and diversification in the method of support mean it is possible to provide a response that is tailored to the particular issues that a COE organisation faces.
- **Collective support** responds to issues and needs that may be shared by several organisations. An expert committee contributes tools and methods to more than one organisation to address a shared problem. Support of this kind therefore falls within the scope of cooperation and partner-based procedures involving various organisations in a given geographical area.

One of the main advantages of this mechanism, and it could have real potential for the COE in the Mediterranean, is that it **enables proper monitoring of organisations over time**. For example, in French territory, a Centre Permanent d'Initiatives à l'Environnement (CPIE – Standing Centre for Environmental

Initiatives) has developed its economic model by adopting new practices. By way of illustration, in order to develop, the project has had to open up to other sources of finance that the COE sector (community-oriented) regarded as a constraint. However, with the long-term support (2005 – 2012) of the LSM 13 mechanism, the CPIE was able to consolidate its structure and jobs, and to adjust to a new economic environment.

In some Mediterranean Partner Countries, such as Egypt, there is, as far as we know, no participative legal form that allows civil society to become involved. **A discussion on establishing such a structure should therefore be opened.** This will require a sense of mission to be built up and the establishment of COE teams so that competent staff (local LSM officials) can have responsibility for the mechanism. The process of garnering support could be achieved by covering the COE in schools and, on the practical side, through the provision of training.

The **development of (local coaching) by local authorities for the benefit of the COE is appropriate, in our view.** The local coaching project operates over three phases: (i) first of all, it is built around the “local sociogram” (dynamic mapping of the local area identifying structures, leaders, local expertise, projects and interconnections) that seeks to identify areas of tension in the targeted localities; (ii) a “local coach” then becomes involved and delivers educational tools that help the organisation to become efficient and take on ownership and greater responsibility; and (iii) the targeted COE organisation becomes a blueprint for other organisations and/or partners in the local area. Currently, the Moroccan Network for the Community-Oriented Economy (REMESS) is testing this hypothesis with a view to making it available to local communities and regional players with responsibility for development matters.

Generally speaking, **the State is able to become a partner** in building up the general interest and promoting inclusivity by using local players and opening the way to COE stakeholders. The addition of a COE component to State-region agreements is not out of the question. Judging by the agreements proposed in some regions, a move towards signature of regional or sectoral agreements between the State and regions on measures that promote social utility could help to consolidate a multitier framework for governance. Support for ecologically sustainable projects that meet local areas’ actual needs is also a possibility. In that regard, regional diagnostic studies would be used to make the regions the focus of a shift in the economy towards sustainable local development. Also possible is the idea that these diagnostic studies could pave the way to regional renewal pacts that draw together all stakeholders involved in developing the regions. The public authorities could consider adjusting legal frameworks to the benefit of community-oriented enterprises.

Finally, many developed countries have a “**Small Business Act**”, a package of measures introduced by the State to boost the competitiveness of SMEs. A mechanism of this kind, targeting COE SMEs, would be welcome in the Mediterranean Partner Countries. Debates are under way in Tunisia on introducing a Small Business Act to encourage SMEs to benefit from market growth. This was recently made possible by the enactment in 2014 of a decree conferring discretion upon the public authorities to allocate a share of its procurement (20% of procurement) to Tunisian SMEs.

3. Reflecting on a “Social Impact in Med” support vehicle backed by international players

In that way, the finance and support mechanisms referred to above are a subject worthy of consideration as one aspect of support for the COE in the Mediterranean. It could, for example, be envisaged as part of the new generation of post-revolution community-oriented agreements. **Over and above the examples referred to above, however, we are clear that COE bodies require suitable quasi-equity and that specialist investors are needed.**

The report consistently points up the need to construct a consistent, coordinated, efficient COE ecosystem.

National and international players must be able to connect to all the players involved in the COE as well as any related ongoing operations. FEMISE suggests a comprehensive approach, or at least the most concerted vision possible, to provide a forum for a continuous dialogue between all the players. **A consistent long-term strategy could study both legislative and regulatory measures to extend or modernise the raft of available financial instruments and promote the establishment of specialist investment funds; the State could act as the powerhouse in this area, for example through an investment allocation for funds of this kind.**

The moment seems to be right because it is becoming increasingly evident that many investors want their financial contributions to have a positive impact on the people and regions around them, while seeking a reasonable return on their portfolios. The result is “impact investing”, **which generates economic value at the same time as social value.**

Some sectors involved in impact investing are inherently linked to the COE such as health, the environment and community-oriented finance. **In the opinion of FEMISE, community-oriented finance in particular has huge potential for development in the Mediterranean region.** Social impact investments in this sector generally provide financial services to populations that have little (or no) access to banks, especially through loans to small enterprises and micro-finance activities. These investments stimulate economic growth and improve the living conditions of excluded local populations.

Impact investing would therefore appear tailor-made for developing the COE in the Mediterranean. It complies with the COE principles and, like the COE, necessitates long-term commitment. It also requires a change in the fundamental way of thinking about how society mobilises resources to tackle social and environmental challenges. For this reason, impact investing is an ideal solution for developing the COE because it could respond to the lack of funding for COE organisations. In the Mediterranean Partner Countries, access to private finance will become increasingly necessary in order for emerging enterprises in the sector to be able to continue to develop.

That is why developing a mechanism that can match social impact investments to the needs of COE enterprises would appear appropriate, in our view. Institutions and players on the international scene have a role to play in contributing to a **Social Impact in Med** initiative that would implement an action plan shared by stakeholders who are mobilised or committed to the success of the COE in the Mediterranean. Given that, it may be appropriate to hold a discussion on establishing a **Social Impact in Med loan package** dedicated to supporting financial mechanisms for the COE in the Mediterranean. **The aim of this liquidity line would be to establish consistency among the various ongoing actions, accelerate their growth and broaden their impact.** It could also support an organisational project to build the financial capacity of local financial intermediaries (banks and MFIs) and to support them as they get to grips with the funding tools specific to the sector. **It would be a comprehensive solution that accelerates the development of community-oriented finance.**

By way of illustration, take the Tunisian microcredit sector; it shows that improving micro-enterprises' and small enterprises' access to finance, including those in the COE sector, has become a major issue for the country. Many players are ready to participate in the process, the European Union has offered its support to stimulate the micro-finance market, the microcredit associations have undergone restructuring and the regulatory framework has developed. **This climate, which is favourable to the development both of microcredit and the COE, led to the establishment of Taysir Microfinance, the Tunisian micro-finance institution established with the support of Adie International.** Taysir has developed microcredit products that support small Tunisian farmers and producers. Moreover, it plans to work with civil society organisations to enhance the impact of microcredit on poverty reduction. **Interest in social impact is high, and Taysir could position itself as an active MFI in disadvantaged urban and rural areas.** Reference should also be made to other microcredit community associations in the Mediterranean Partner Countries. Lebanon is home to the Makhzoumi Foundation which is involved in microcredit activities as well as programmes

involving vocational training and the environment. In Morocco, the micro-finance foundation Alkarama mostly awards community-oriented loans targeting the most vulnerable populations.

Consideration of funding this type of initiative through a social impact allocation can therefore be justified. A very promising package of this kind was recently launched but needs to be beefed up. **The FEMIP Trust Fund, a multi-donor trust fund launched in 2005, has just established an impact investing loan package under the EIB-FEMIP (Facility for Euro-Mediterranean Investment and Partnership).** This dedicated allocation makes for a more integrated project approach and extends the scope of venture capital activities towards new sectors with a “high social and development impact”. This instrument would appear particularly well-suited to a region such as the Mediterranean where unemployment is the most important economic issue that needs to be addressed. **The mechanism could make it possible to extend the scope of “traditional instruments” and to finance activities that have long been neglected. It seems appropriate for projects in the COE sector that have considerable impact in development terms but have difficulty securing funding.**

Apart from microcredit projects, this liquidity line could support an initiative such as the **CoopMed-régional** fund (see box, Chapter III), which is dedicated to boosting the financial capacities of MFIs and local finance institutions that currently contribute to the funding of COE enterprises or are likely to do so (thanks to a leverage effect). By way of subordinated debt and senior debt with a maximum term of 10 years, CoopMed intervenes in dealings with MFIs, local banks seeking to develop their COE-sector and green economy funding capacities, mutuals or mutual-based systems and other local financial intermediaries. The project receives a contribution of experience from CoopEst in needs assessment, structuring a financial offer, strategic support for the projects and risk management (the first target countries for the project are Morocco, Tunisia and Lebanon).

FEMISE views this as an interesting instrument worthy of development because it is new to the FEMIP region. Additionally, the provision of funding to cooperatives, to environmental SMEs and for socially responsible investment is something new. The project could therefore be part of the FTF package and provide an impetus to the Mediterranean COE. It would allow the many players involved to link up – those on the ground, in support, in finance, in institutions, who want to pass on their expertise and support the COE players in the region. Proper coordination of the stakeholders is vital to ensuring its success. Smooth coordination of ongoing initiatives to promote the COE in the Mediterranean, local and international actors already committed on the ground, and future projects will together act as the cornerstone for successful development. Institutions and other international players could contribute by establishing consistency among the various ongoing actions, accelerate their growth, broaden their impact and promote new projects supported by interventions from private banks.

Conclusion

In conclusion, it is our assumption that national and international actors, both public and private, will have a role to play in the COE support mechanism, regardless of the form it takes.

Firstly, **the public authorities have a powerful role as facilitator to play.** This is evidenced by information on the countries where impact investing is developing.

- **The authorities can provide a legal framework for the sector**, stating the funding to which enterprises are entitled and removing regulatory barriers so as to stimulate private impact investment. By way of example, an initiative in Luxembourg to establish a legal structure known as an “impact company” would allow COE organisations to raise funds from generous philanthropists and institutional investors, a practice that is not possible under the social enterprises statute (“Asbl sociales”).
- **Tax incentive schemes could be introduced**, as in the United Kingdom’s Enterprise Investment Scheme (EIS). The scheme provides for a tax relief equivalent to 30% of the capital invested in enterprises with fewer than 250 employees that do not have assets worth more than £15 million.

Secondly, there are a few **key measures that COE social impact enterprises** should consider, including:

- **Actively assessing their social and environmental impact.** By definition, social and environmental objectives are directly linked to the economic blueprint for COE organisations. Measuring those objectives will enable better follow-up, and the option to report on impact indicators will increase the organisation’s transparency, thereby attracting social impact investors.
- **Rigorous financial management that prioritises the enterprise’s comparative advantage.** A COE organisation that is able to provide evidence of its comparative advantage will stand out from the crowd of competitors whose number has grown inexorably in some Mediterranean Partner Countries since the Arab Spring.
- **Finally, COE enterprises could open up to innovative funding mechanisms such as those referred to above.**

Thirdly, **investment impact funds themselves can play a role that will help to increase their attractiveness to institutional investors.** They could consider:

- **Establishing a system that reliably measures social and environmental impact.** The economic model would have to be re-defined in terms of impact, and the funds would have to demonstrate that that impact had actually been achieved once the investment has been made.
- **Planning innovative strategies to attract capital from partners who traditionally work on large-scale projects.** The size constraint means that some thought should be given to pooling capital from partners with similar objectives in terms of impact and finance.

Finally, in our view, there is no doubt that new intermediaries need to be established and existing intermediaries strengthened if more capital is to be invested and managed. It is vital to establish a range of intermediaries across the COE sectors to maintain a buoyant “COE investment market”. Local adjustment to the structure of the mechanism to allow direct contact with those regions and populations in need of alternative sources of financing would have to be envisaged. **These measures could ensure the success of an ambitious, audacious mechanism to kick-start development of the COE in the Mediterranean.**



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The full study gives an overview of the current community-oriented economy (COE) situation in three countries (Morocco, Tunisia, Egypt), examining the growth sectors, methods of financing and legal framework and identifying the main obstacles to development of the COE. The study reveals major job creation potential and explores new ways to develop it.

The study suggests creating an environment that is genuinely conducive to the development of the COE in the Mediterranean Partner Countries. As well as identifying sectors offering development opportunities (insurance, mutuals, etc.), it proposes financial tools that could be based on dedicated private banking sector structures formed around ethical banks to provide adequate support.

To build a coherent, coordinated and effective ecosystem, the study also suggests matching social impact investments to the needs of COE structures. The aim is to provide a genuine response to the lack of financing and a comprehensive solution to speeding up the development of finance geared to social utility.

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