Press release

Ease access to venture capital and social entrepreneurship funds to spur growth

Committees: Committee on Economic and Monetary Affairs

Draft EU laws to make it easier for start-ups to access venture capital and social enterprises to access social entrepreneurship funding were amended by the Economic and Monetary Affairs Committee on Thursday. MEPs sought to facilitate access to both types of funding, whilst at the same time preventing speculative investors from hijacking the investment funds.

Negotiations between Parliament and Member States start next week in a bid to strike a deal. The legislation is seen as a useful tool in the overall strategy of returning the EU to growth and channelling finance to the real economy.

The two rapporteurs welcomed the adoption, by a very large majority, of the texts.

Sophie Auconie (EPP, FR), said "Social investment and entrepreneurship are in full development and the EU has a responsibility to support this movement through an investment mechanism which is safe and attractive".

Philippe Lamberts (Greens, BE), said "The committee has voted a text which can definitely help to overcome the current fragmentation in the venture capital market, which constitutes one of the main causes of the poor venture performance in Europe".

European social entrepreneurship funds

The adopted text, drafted by Sophie Auconie (EPP, FR), amends the Commission proposals to make it easier both for investors and for beneficiary enterprises to access social entrepreneurship funds, which invest in social enterprises.

Social enterprises, which focus on generating social benefits rather than profits for owners and shareholders, make up 10% of EU firms and employ around 11 million people. In hard economic times, they therefore find it difficult to access finance and many see their traditional grant-based funding dwindle, too.

To raise awareness of the existence of such funds, the text proposes stepping up communication campaigns and disseminating the best practices of more experienced Member States across the EU

The text increases the security of the running of the funds, by proposing a depositary for them to provide a clear trace of investments, as well as generally clarifying the rules which the fund managers must follow.

MEPs also amended the way in which money can be invested in such funds, to include investments made by undertakings for collective investment in transferable securities (UCITs), i.e. investment vehicles that tap small, individual investors.

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The amendments will enable non-professional individuals to invest in social entrepreneurship funds, via UCITs, without lowering the €100,000 minimum investment threshold originally proposed by the Commission. UCITs will thus be able to invest up to10% of their finances in social entrepreneurship funds.

European venture capital funds

Innovative start-up companies also have great difficulty in accessing investment funds in the EU, where venture capital is severely underdeveloped compared to the US.

The adopted text, drafted by Philippe Lamberts (Greens, BE), amends the Commission proposal to ensure that neither venture capital funds nor their beneficiaries are established in tax havens.

To discourage speculative investors, and enable fund managers to take a long-term view, another amendment would require that funds invested would only be returned to the original investors after a specific period (i.e. after the liquidation of the fund), thereby making it impossible for investors to pull their money out before this time has elapsed.

To increase the likelihood that funds will go to real-economy small and medium-sized enterprises, the committee text also prohibits fund managers from investing in the innovative products of financial service companies.

Like the text on social entrepreneurship funds, this one also provides for a depository, so as to make the fund's management safer and more transparent

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