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Financing the Social and Solidarity Economy from the Ground Up: Democratic Intermediaries as Alternatives to Conventional Blended Finance

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The purpose of this document is to suggest that one key component for implementing the UN resolutions on social and solidarity economy (SSE) is the creation or consolidation of SSE-specific financing intermediary mechanisms at the country level.

The United Nations General Assembly Resolution 77/281 on *"Promoting the social and solidarity economy for sustainable development"* of April 2023, and reiterated in follow-up Resolution A/RES79/213 of December 2024, recognizes the contribution of the social and solidarity economy (SSE) to the multiple dimensions of sustainable development and encourages a range of policies at local, national, regional and global levels, including to address the financial challenges faced by SSE entities to develop and scale out their contribution to sustainable development. These resolutions:

- ***Encourage "multilateral, international and regional financial institutions and development banks to support the social and solidarity economy, including through existing and new financial instruments and mechanisms addapted to all stages of development";***
- The 2024 resolution ***"also encourages Member States to consider how the social and solidarity economy could contribute to and feature in relevant upcoming multilateral processes, such as the Fourth International Conference on Financing for Development (FfD4)"*** **and encourages Member States to facilitate "*access for social and solidarity economy entities to financial services and funding, and capacity-building*".**

Matching the needs of the grassroots with the programmes of the International Financial Institutions (IFIs)

To match the needs at the grassroots level, RIPESS prepared this working document. Whichever programs are devised by the IFIs, they need to be designed to reach the grassroots in as many countries as possible. Building on past discussions with Multilateral Development Banks (MDBs), and examples is the suggestion of the **creation of an SSE-supporting intermediary mechanism** at the national level (and sub-national level where appropriate), for the same rationale explained herewith that most MDB financing of conventional small businesses at the grassroots needs to be done through financial intermediaries.

This document is inspired by the experience of SSE organizations in all regions of the world, previous dialogues with IFIs and research, including from the forthcoming publication by the United Nations Interagency Task Force on the Social and Solidarity Economy (UNTFSSE) "Strengthening Access to Finance for Social and Solidarity Economy Entities to Boost Their Contribution to Sustainable Development: A Collection of Good Practices" and the Working Paper ***Elements for a Social and Solidarity (SSEF) Ecosystem*** published by RIPESS in 2023.

Background: SSE and Public Development Banks

Exchanges between the SSE community and international development financial institutions on the value and practicalities of supporting the development of SSE began in 2011 and reached some fruition in 2014 during an event organized by UN-NGLS and the World Bank Group, which included representatives from other Multilateral Development Banks (MDBs), including the African Development Bank (AfDB), Asian Development Bank (ADB), the Inter-American Development Bank (IDB) and the European Bank for Reconstruction and Development (EBRD). **The meeting revealed** in principle **strong interest by these institutions to support SSE.** The financing of SSE could fall within their mandates to support the private sector, especially micro, small and medium- sized enterprises (MSMEs), and in some cases civil society organizations, requiring government approval. A key challenge is that many, if not most, SSE economic entities are small, or even very small. International development banks cannot finance them directly due to the high "transaction costs" of administering small grants/loans (understood in the broad sense to include the time spent to evaluate the borrower's credit worthiness, the conditions in which it operates, additional support needed, etc.). **One option discussed is the creation (or consolidation) of intermediary financial structures** at country and local levels to manage funds provided by MDBs. Such entities, governed by a multi-stakeholder democratic organization, would be part of a broader SSE ecosystem to ensure knowledge of the needs, conditions and capacities of the applicants and additional non-financial support required is provided.The advantage of such an intermediary approach is that it could manage funds coming from other sources such as Official Development Assistance (ODA) and other public and potentially private funds, such as pension funds. **A condition for such "pooled funding" from multiple sources is that decisions** do not follow donor-driven or investor-driven priorities (which has been observed through certain "impact investment" processes), but **are genuinely driven by grassroots needs and priorities, determined through democratic and participatory processes of co-construction.**

Building on these exchanges, RIPESS has had some experience with this approach in 2015, through cooperation between the AfDB and its member in Mali, the National Network for the Promotion of SSE (RENAPESS), on a pilot program to support SSE projects on the ground trough social and solidarity financing intermediary mechanisms.

This endeavor nearly succeeded with full support of the AfDB, but did not go ahead for reasons exogenous to the willingness of the AfDB to go ahead with the initiative. Nevertheless, this experience demonstrates the **potential and feasibility for MDBs to include SSE in their programs.**[1]

With the adoption of the 2030 Agenda and the Sustainable Development Goals (SDGs) and the Paris Agreement on climate change in 2015, **Public Development Banks (PDBs) at multilateral, national and sub-national levels have been coalescing into a global movement of PDBs to align their actions with global sustainability and climate objectives.** This movement was formally launched in 2020 through the establishment of the Finance in Common Summits (FiCS) headquartered within the Agence française de développement (AFD). Ahead of FfD4, at its 5th Summit in Cape Town, South Africa in February 2025, FiCs released a comprehensive Reference Book on PDBs open for consultation. It consolidates worldwide information about multilateral, regional, national and subnational PDBs, which account for 536 institutions totaling USD 23 trillion in assets in more than 155 countries[2], and which are increasingly moving to align with the SDGs.

A detailed review of the PDB Reference Book shows that **82 percent of PDBs include in their mandate support to small and medium sized enterprises (SMEs) and/or MSMEs**. MSMEs account for 90% of businesses, 60 to 70% of employment and 50% of GDP worldwide. As the backbone of societies everywhere they contribute to local and national economies and to sustaining livelihoods, in particular among the working poor, women, youth, and groups in vulnerable situations[3]. Yet MSMEs face perennial challenges comparable to SSE entities, which include high credit risk, inadequate collateral and expectations of relatively high short-term returns from creditors. Lending to SMEs is also marked by higher transaction costs when compared to large corporates for the same reasons mentioned above for SSE entities. **SMEs often consider the constraints in access to finance one of the top obstacles for business operations and growth.**

PDBs usually finance MSMEs indirectly through financial intermediaries with better knowledge of local actors, economic conditions and financial and non-financial support needed.

1. These exchanges with MDBs and other IFIs are documented in "Elements for a Social and Solidarity Economy Financing (ESSF) Ecosystem"- RIPESS Working Paper, October 2023.
2. 2024 figures.
3. These figures are from UN sources and are higher than in the Reference Book, possibly because the latter's statistics only account for SMEs, leaving micro-sized enterprises.

However, **a major gap in this PDB Reference Book is specific financial and other support measures needed for SSE entities,** even though **the primary mission of these economic actors is to support objectives contained in the SDGs, as recognized by the UN General Assembly** (see box 1)

SSE entities face additional hurdles to access conventional profit-maximizing sources of finance, including lack of understanding of, or reluctance to support economic entities whose fundamental operating principles and values are based on democratic/participatory decision-making structures, and the primacy of people and planet over profit and capital, with a long-term horizon.

The global SSE movement has developed its own financial mechanisms, such as credit unions, community development banks, rotating savings and credit associations (ROSCAs, or "tontines" francophone Africa), often led by women, and solidarity-based microfinance institutions, as sources and channels of SSE financing. But the needs and the potential for scaling out are immensely greater than what can be pooled from domestic savings alone. Thus, the need for MDBs and other PDBs– with their development-driven, rather than profit-driven mission – to significantly engage with other funding partners in providing appropriate financial and other support to the SSE, especially in the Global South.

To begin filling this gap, the present working document outlines the contours of a generic intermediary approach to support SSE, for discussion with PDBs at all levels and other interested actors at the FfD4 Conference and its follow-up.

Box 1

The contribution of SSE to the Sustainable Development Goals:

"Acknowledging that the social and solidarity economy can contribute to the achievement and localization of the Sustainable Development Goals, particularly in terms of employment and decent work, the provision of social services, such as those related to health and care, education and skills training, environmental protection, including through the promotion of sustainable economic practices, the promotion of gender equality and the empowerment of women, access to affordable finance and local economic development, the strengthening of the productive capacities of people in vulnerable situations…"

"Recognizing further that the social and solidarity economy contributes to more inclusive and sustainable economic growth by finding a new balance between economic efficiency and social and environmental resilience that fosters economic dynamism, encourages a just and sustainable digital transition, social and environmental protection and sociopolitical empowerment of individuals over decision-making processes and resources…"

Universal definition of SSE:

"…the social and solidarity economy encompasses enterprises, organizations and other entities that are engaged in economic, social and environmental activities to serve the collective and/or general interest, which are based on the principles of voluntary cooperation and mutual aid, democratic and/or participatory governance, autonomy and independence and the primacy of people and social purpose over capital in the distribution and use of surpluses and/or profits, as well as assets, that social and solidarity economy entities aspire to long-term viability and sustainability and to the transition from the informal to the formal economy and operate in all sectors of the economy, that they put into practice a set of values which are intrinsic to their functioning and consistent with care for people and planet, equality and fairness, interdependence, self-governance, transparency and accountability and the attainment of decent work and livelihoods and that, according to national circumstances, the social and solidarity economy includes cooperatives, associations, mutual societies, foundations, social enterprises, self-help groups and other entities operating in accordance with the values and principles of the social and solidarity economy,"

UN General Assembly resolution 77/281 on "Promoting the social and solidarity economy for sustainable development", April 2023.

A generic intermediary organizational approach adapted to SSE

This approach involves a multi-stakeholder financial mechanism where funders and SSE actors are involved and work together to pool resources for territorial SSE ecosystem development (which could be described as a form of "blended finance from the ground up"[4]).

The involvement of governments, whether national or subnational, in these mechanisms is also essential. They may vary depending on practices and legislation. For example, in Mali, a government decree created a decentralized financial service for microcredit to SSE. In the province of Quebec in Canada, a trust fund (under specific legislation) has been created to manage a patient capital fund in which the government of Quebec and federal government of Canada provide capital, in addition to capital from workers' pension funds. As in Mali with the International Fund for Agricultural Development (IFAD) and the Danish international cooperation agency DANIKA, operations are transparent, and funders can participate in meetings, even if they are not members of the governance body.

The involvement and support of the government, a ministry or a department are important, since national governments are members of IFI governing bodies such as the AfDB. If a national government is not involved, implementation can be difficult. The membership and partnership statuses of such an intermediary mechanism may vary from country to country (depending on the country, some members could be partners, and vice versa). Here are some possibilities:

Key Actors in SSE Multi-Stakeholder Financial Mechanisms

Members	Partners
• One or more Government ministries or departments • Local governments • Public development banks at the national level and, where they exist, at subnational levels. The database can be viewed **here**. • Other domestic public funds • SSE networks/organizations • Existing mechanisms for the distribution of funds • A SSE banking institution for formal banking operations within the framework of international rules protecting savings. Since these are SSE entities, this institution should consist of a democratically governed social and solidarity financing mechanism, such as credit unions or cooperative banks • Other local entities to support SSE ecosystem development where needed, such as universities, research institutions, SSE incubators and training centres.	• Regional multilateral development banks and the World Bank Group • United Nations country teams • United Nations specialized funds such as IFAD, UNCDF, UNFPA and FAO • Bilateral donor country programs • International philanthropy • External private capital**.** This is mentioned with caution. Conventional private sector financing (even if engaged in "impact investing") must not interfere with the objectives and mission of the SSE. In each case, an assessment to avoid the risk of an investor-driven process is required.

4. Borrowing from the report "Blending from the Ground Up: Multilateral and National Development Bank Collaboration to Scale Climate Finance" by Mariotti, C., Kozul-Wright, R.K., Bhandary, R.R. and K.P. Gallagher. 2025, Boston University Global Development Policy Center. The report makes the case for "public-public partnerships" between multilateral and national PDBs in developing countries aligned with national development priorities, in light of the very poor performance of mainstream attempts to mobilize private capital to meet climate finance objectives by channeling more public resources to the "socialization of private risk and guaranteeing private profit" This concept note approaches "public-public partnerships" from a slightly different or complementary angle. Social and solidarity financing mechanisms are not PDBs in the sense that they are not owned or controlled by the State, but they differ from conventional profit-oriented private finance institutions and intermediaries in the sense that they are collectively owned and governed and are driven by a "public" development mission; while ensuring they maintain their financial viability, like PDBs do. Besides the limited "private" savings that can be mobilized by SSE finance institutions, the common pool of resources that would be managed by SSE intermediary financing mechanisms would come primarily from public finance and philanthropy, and only conventional private finance under the condition that they do not drive decisions on the allocation of funds, which should be a process of co-construction with the actors on the ground.

Services provided
• Direct long-term, low-cost loans and guarantees (in local currencies[5]) to SSE initiatives and other existing small SSE businesses. • Grants or subsidies from various sources. • Advice and support. In all regions of the world, a startup, whether in the SSE or in the private sector, has a much better chance of survival and development if it is accompanied by capacity building support at its different stages of development. If these services are not provided directly by the financial intermediary, they should be provided by another supporting entity within the framework of the multi-stakeholder partnership. Academic, research and training institutions with specialized local knowledge of SSE could also act as supporting organizations. The capacity building features must not only include elements of conventional training for MSMEs (e.g. financial literacy, developing business plans, information on marketing and funding opportunities), but also elements specific to SSE modes of operation (e.g. democratic/participatory governance and balancing the primacy of the societal mission with economic viability).

The overall approach is ensuring that such multi-stakeholder partnerships foster ecosystem-strengthening financial instruments for the SSE, as the overall impact of carefully considered complementary projects is greater than the sum of their parts (even if not readily quantifiable).

An ecosystem-wide approach also implies investing in processes of deliberation, mobilization and networking, not just quantifiable outcomes.

Other Considerations

In some countries, the intermediary mechanism could be given a double mandate. **Besides funding for SSE, it could provide funding for conventional MSMEs.**

For many such cases, there would be a need for a refinancing window with two sub-windows dedicated to SSE entities and MSMEs whose specific mission would be to provide cheaper seed and growth funds with objective, operational, short- and medium-term criteria adapted with subsidized technical support (such as coaching) that mitigates possible risks at the level of financial intermediaries.

To allow the activities of local financing structures to be carried out optimally, it is important that they have sufficient autonomous capacities.

Monitoring progress, accumulating knowledge, research, including in curricula, are important dimensions of the SSE ecosystem. There could be observatories, a network of specialists and researchers, either through existing entities, or new ones. Because of society and language issues, these could be decentralized.

A growing number of countries have adopted specific legislation and public policy frameworks to support SSE.

These have typically resulted from advocacy campaigns by SSE and other civil society actors. The various UN and ILO resolutions on SSE, the OECD Recommendation on SSE and Social Innovation (and in the case of Africa, the AU's ten-year SSE strategy) are instruments that can support further advocacy towards fostering a conducive policy and financial environment that integrates SSE institutions into national sustainable development and transition strategies.

However, it is essential that MDBs step in, especially in countries that are strapped for resources, which prevent them from fully implementing SSE laws and policies. This is most starkly visible in countries of the Global South that are facing catastrophic sovereign debt crises and forced austerity.

Addressing the fundamental macro-systemic root causes of these crises is linked to advancing the global SSE agenda and implementing the recommendations of United Nations resolutions. Efforts must continue to ensure that all parties commit themselves, even in the current geopolitical context, to adopting the necessary reforms (including a United Nations Framework Convention on International Tax Cooperation and a United Nations Framework Convention on Sovereign Debt).

5. Especially in developing countries, it is essential that the loans to SSE entities, even if the funds originate from MDBs or other external funders are denominated in local currencies. Just as for MSMEs, the various hedging mechanisms against local currency devaluations and exchange rate volatility are prohibitively expensive. The research from the FiCS movement calls for greater proportions of lending from MDBs to be in local currency.

Some supplementary information from Africa

Based on grassroots experience from RIPESS members engaging with development finance institutions.

Effective and efficient financing of development necessarily involves knowledge of both the actors in need and the evolution of their ecosystem. This puts local financing organizations on the front line, which, even if they depend on the headquarters of their institutions, must have autonomy of intervention to be able to play their role in supporting SSE development effectively and efficiently. In terms of measures, it will be necessary to establish:

Essential Measures for Effective SSE Financing
1) A system of local governance that does not suffer from lengthy procedural conditionalities of headquarters generally located outside the countries of intervention that make the disbursement rates of project funding low and often very low, while the needs are enormous and often urgent.
2) Direct project financing windows with eligibility criteria based on the intrinsic characteristics of the actors and their sectors in a given territory.
3) Refinancing funds for institutions that support solidarity finance and microfinance institutions, which until now, are the only ones able to develop financial products adapted to the needs of SSE enterprises and willing to go further in financial inclusion (access to funds with financial education), especially for actors in agricultural value chains, which are so key in African countries, and remain very insufficiently funded. In many countries, these institutions for financing grassroots development or local development do not have access to refinancing from central banks. They operate only with local savings, dedicated funds from major government projects and certain partners (such as UNOPS).
4) There is a need for better coordination and coherence between public national and international institutions and agencies for greater efficiency and sustainability.

To conclude this document

The potential and legitimacy given by the UN General Assembly to mobilize the enormous resource pool of MDBs and other PDBs to support the SSE is clearly established.

However, the strategic role of SSE in contributing to achieve the SDGs is still under the radar of the global movement of PDBs to align with sustainability objectives [6]. This concept note is a first step to engage in a constructive dialogue with multilateral, national and subnational PDBs to turn these UN recommendations into real action for transformative change.

The experience of existing good practices provides an important lesson. **The key to success is design and management by organizations at the national and local levels.** It is essential that the people of the country take ownership of these tools. It should be seen as their tool and not managed by external donors or investors.

As during the 2008-2009 economic crises and the COVID19 pandemic, SSE entities showed much stronger resilience than traditional profit-oriented enterprises. In these troubled global macroeconomic times marked by the risks of a global recession, development finance actors from diverse entities need more than ever to work together to help people resist and build resilient local and national economies. And make very significant progress in leaving no one behind.

6. An annual meeting of the IMF and World Bank Group (WGB) in October, 2024, the WBG launched "**CIVIC: The Civil Society and Social Innovation Alliance**, a dedicated new finance and support facility for civil society organizations (CSOs) and other social economy actors. CIVIC is designed to harness innovative solutions and bolster efforts emerging from civil society and social innovators to address some of the most urgent development challenges worldwide and advance the WBG's mission to end poverty on a livable planet. The WBG is currently seeking foundation partners and co-investors for this flagship initiative."CIVIC's thematic areas focus so far on climate, health, gender and youth. The programme components are comprised of grants, multistakeholder dialogues, knowledge hubs and capacity strengthening. At the time of writing, it is too early to tell if this initiative could dovetail with the present proposal for a generic intermediary organizational approach to finance SSE at the country level.

Postscript: SSE integrated at all levels in the Financing for Development Agenda and its follow-up

As we concluded this Working Paper, the FfD4 intergovernmental Preparatory Committee at its final session on 17 June 2025, approved a final outcome document entitled the **Sevilla Commitment**, to be transmitted for formal adoption at the FfD4 Conference in Sevilla, Spain, on 30 June-3 July 2025. The document was approved by consensus, with the exception of the United States, that decided to withdraw from the process, notably because the current US administration is opposed to the Sustainable Development Goals as a globally agreed development agenda.

The SSE components in the Sevilla Commitment are the following:

- Under section I. A renewed global financing for development framework: Para. 21. "*We will invest in productive sectors, the creation of decent jobs at scale, and skills development to enable all people to benefit from inclusive, equitable and sustainable economic growth.* ***We will… facilitate the growth of*** *micro, small and medium enterprises,* ***cooperatives and the social and solidarity economy***…"

- Under section II.B. Domestic and international private business and finance: Para. 32.h): "***We encourage support for social and solidarity economy entities including access to tailored financial and non-financial assistance from local, national, and international financial institutions***."

For developing countries that have already included SSE as part of their sustainable development plans and strategies but need external public development financing to support these national goals, the following clause offers immense potential, as already envisaged in the UNGA resolutions on SSE, with a proposed generic pathway to implementation described in this document:

- Under section II.A. Domestic public resources: Para. 30.b): "***We encourage multilateral development banks and development partners to enhance financial and technical support to national public development banks in their efforts to provide long-term low-cost financing to invest in sustainable development. We also encourage multilateral development banks and other development institutions to work as a system through enhanced cooperation and coordination with national development banks, in support of national priorities and plans***"

For more details and analysis of the FfD4 outcome from an SSE perspective, please see RIPESS press release of 22 June 2025 "Social and Solidarity Economy Integrated in New Global Financing for Development Agenda".

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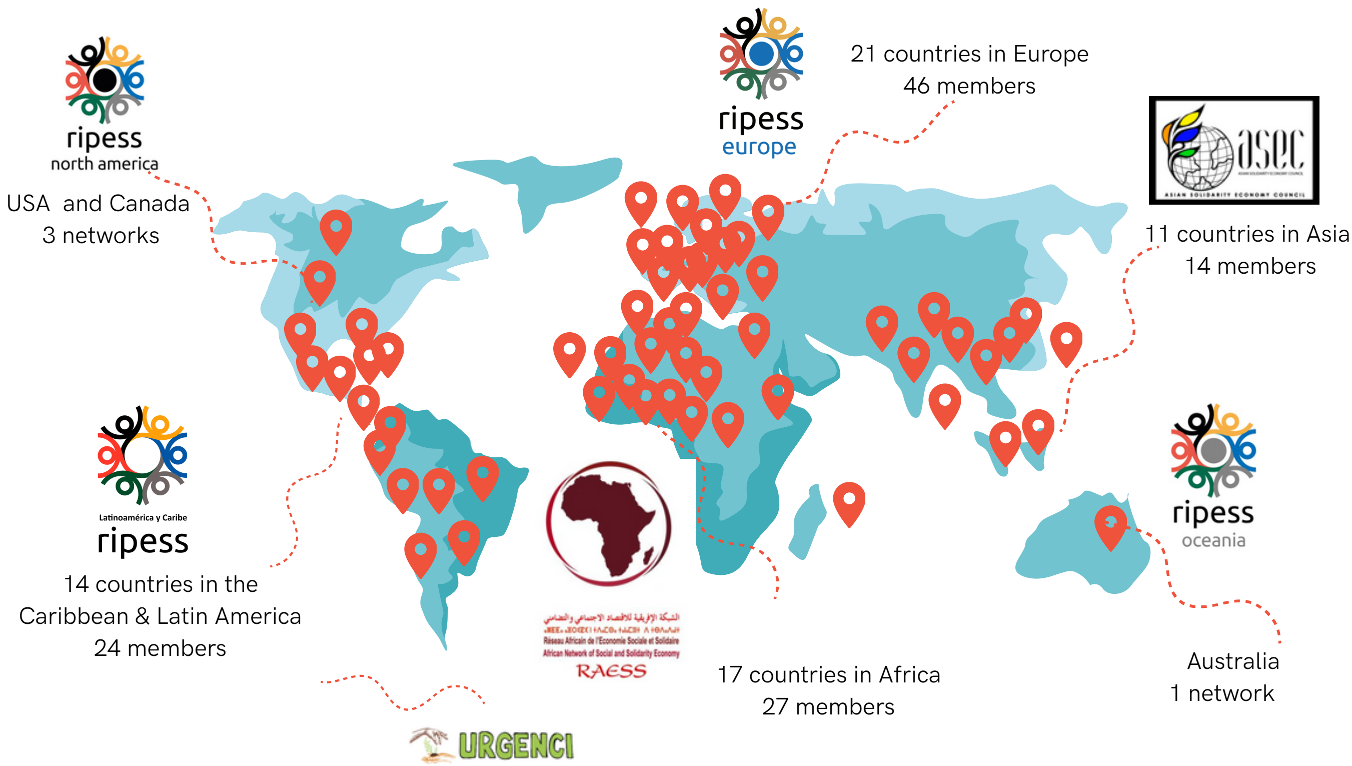
About RIPESS

RIPESS represents the Intercontinental Network for the Promotion of Social Solidarity Economy. The social and solidarity economy (or SSE) brings together a myriad of not-for-profit and democratic entities, cooperatives, associations, and other collective community initiatives from around the world that have federated into a global movement to bring about economic and social justice through solidarity. Over the last quarter of a century, RIPESS has been at forefront of this movement, which has developed in response to the social and environmental devastations caused by neoliberal globalization.

Our members practice democratic and participatory governance and place people and planet above profit and capital, while remaining economically viable. Workers in SSE organizations and entities have a say (and even a vote) on pay levels and how surpluses are reinvested within the organization and/or the community.

Our membership grew over the last two decades as more and more organizations, entities and their networks around the world discovered that they were practicing and advocating core SSE principles and values even without necessarily knowing it.

RIPESS is a truly grassroots-driven network of networks. Since its establishment in 2002, it is composed today of six continental networks who in turn have members at the country level in over 75 countries. RIPESS has consultative status with the UN Economic and Social Council and is Observer in the UN Interagency Task Force on the Social and Solidarity Economy (UNTFSSE) established in 2013. RIPESS is part as well of the Civil Society Financing for Development Mechanism since 2014.



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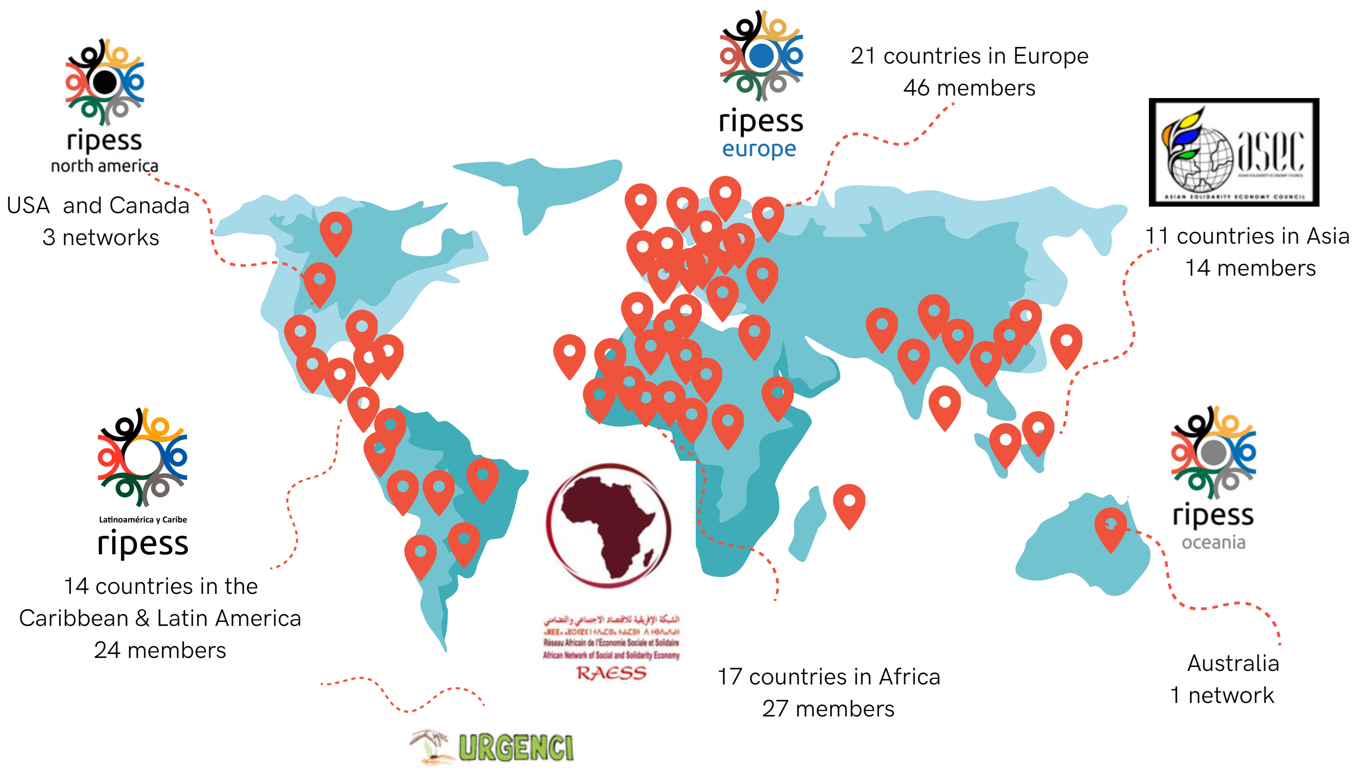
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