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**Element paper for the 4th International Conference on Financing for Development**

 ***Strengthening the financing of the social and solidarity economy to address the challenges of international development finance***

On 18 April 2023, the United Nations General Assembly adopted resolution A/RES/77/281 which recognizes the importance of promoting the Social Solidarity Economy (SSE) for achieving the Sustainable Development Goals (SDGs) and encouraged Member States, relevant entities of the United Nations development system, multilateral financial institutions, international and regional financial institutions and development banks to give due consideration, promote and implement national, local and regional strategies, policies and programmes aimed at supporting and strengthening the SSE as a model for sustainable economic and social development, taking into account the circumstances, plans and priorities of each country.

In particular, the third mandate of the resolution aims at « *Encourage(ing) 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 adapted to all stages of development;* ». This is why the United Nations Inter-Agency Taskforce on the Social Solidarity Economy (UNTFSSE) has launched a technical working group on Financial Access and Support (TWGF)[1] for SSE entities. The objective of the working group is to identify, share good practices and lessons learned to engage relevant stakeholders and encourage them to promote SSEs' access to finance and support through existing and new technical and financial instruments and mechanisms, adapted to all stages of development and political and economic circumstances in the context of financing for development.

***To contribute to the* International Conference on Financing for Development (FFD) *in 2025, the TWGF strongly suggests that :***

1. ***SSE should be a topic at the next FFD conference which contributes to addressing the different cross-cutting issues identified in the Addis Ababa Action Agenda;***
2. ***as part of the reform of the international financial architecture, the call for recapitalization of the Multilateral Development Banks should also be made in favor of SSE entities and the mechanisms, services and institutions that finance them;***
3. ***international donors, multilateral and bilateral banks, and development banks should provide more support to SSE entities at the micro, meso and macroeconomic levels, through offers that meet their needs in terms of grants, equity/quasi-equity, loans, guarantees, technical assistance, intermediary financing, etc., which can be informed by the work of the Technical Working Group on Financial Access and Support (TWGF); these offers should be made available through windows dedicated to the SSE ;***
4. ***the major financial entities should strengthen their cooperation with local SSE financing mechanisms, which can take different forms such as cooperative and ethical banks, foundations, social impact funds etc.), and should better understand, value and adjust their cost models to patiently and sustainably support SSE entities through intermediary structures that are tailored to support and finance them;***
5. ***innovation should also be directed towards microfinance institutions (MFIs) belonging to SSE (following its operational principles and values), to help them adapt their models to changes in the political, economic, security, climatic and financial contexts;***
6. ***incentives should be offered to strengthen the social and economic integration of the most marginalized and vulnerable sections of the population;***
7. ***Fiscal incentives should be implemented to support social and environmental impact investment into SSE projects as fiscal systems are typically not adapted to SSE specificities;***
8. ***funds should be created to leverage traditional and local financing methods (tontines, etc.) and strengthen public-private partnerships to finance SSE entities through financial SSE institutions;***
9. ***Take into account international good practices in building sustainable and socially including national and international financial ecosystems. Such good practices could address both the promotion of savings with a social impact, the allocation of such savings and the development of the offer side (intermediaries, vehicles, instruments such as patient capital and other investment instruments, etc.). Multilateral and bilateral institutions should include these in their role as advisors of national and international policy makers and supervisory/regulatory bodies***
10. ***Multilateral and other international financial institutions should engage in the development of specific investment vehicles addressing the needs of SSE such as the Fiducie of the Chantier de l'économie sociale (Trust for the Social Economy) from Quebec, both at national and international level.***

Recent years have been marked by numerous crises and growing instability in the global geopolitical context. The multilateral system has been fragilized and the pressure to meet the challenges of the coming decades is increasing￼ As UN Secretary-General António Guterres recalled in his speech at the opening of the Economic and Social Council's 2024 Forum on Financing for Development in New York, “*Every year, the world faces a shortfall of around $4 trillion to finance the Sustainable Development Goals, a sharp increase from the $2.5 trillion shortfall in the year before the COVID-19 pandemic. This growing financing gap is accompanied by a growing financial divide between countries that can access affordable financing and those that cannot*[3]”.

At the same time, innovative and traditional solutions, based on solidarity and inclusion, make it possible to meet certain development financing challenges in a global, local and fair way. These are the support mechanisms of the financial ecosystem of the Social and Solidarity Economy (SSE). Officially recognized by the United Nations in the resolution 77/281￼, “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. [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. 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. According to national circumstances, the [social and solidarity A/79/351 4/19 24-16171 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[[1]](#footnote-1)”.

Present in all sectors of the economy, the SSE is gaining in interest and visibility as a vector of sustainable development and therefore of stability, social cohesion and just transitions. In addition to the key sectors in which it is traditionally present, such as health and social services, social housing, education, food production, distribution, fair trade and insurance, it is also emerging in renewable energies, sustainable finance, digital platforms, culture and independent media, and the circular economy. At the International level, the SSE is recognized as an essential ally of multilevel initiatives and cooperation policies. Whether through the internationalization of SSE entities, support for the sector in aid-recipient countries, or from the perspective of public-private alliances reaching the largest possible number of people at risk of exclusion. It creates numerous opportunities for implementing and accelerating the SDGs . The SSE offers models of inter-cooperation, financial inclusion, social innovation and collective entrepreneurship that are key tools for the emancipation and inclusion of people in vulnerable situations. Countries such as Spain[6] and France[7] already recognize the role of the SSE as a key partner in development cooperation. The European Union has also recognized the role of cooperatives through the Coops4Dev partnership[8], the International Co-operative Alliance, the International Co-operative Alliance, but also the African Union’s 10-year SSE Strategy and Implementation Plan and the creation of the Ibero-American Network for SSE Promotion. Additionally, ESCAP and ECLAC have formalized their membership in the UNTFSSE.

Although social and environmental impact finance has never been so strong (+15%) in 2023[9], and continues to attract investors and increase investment, their growth is uneven and concentrated in mature markets (up by more than 30% in the United States and Europe[10]). Volumes are concentrated in the mega-funds, which manage 80% of activity, and the markets are mainly English-speaking (Kenya, Nigeria, South Africa), while other areas are being neglected. The use of innovative tools, such as blending, is being strengthened, but there is a risk that this will lead to a reduction in concessionality and an increase in the cost of access to credit. There is a risk that certain sectors, such as education and social services, will find themselves deprived of this financing, to the detriment of more profitable sectors such as renewable energies. Furthermore, SMEs and micro-enterprises, which represent the vast majority of the SSE, and that are key drivers of social and environmental innovation, are often unable to access social impact finance s (the so-called investees with challenging exit strategies). Moreover, there are concerns that impact investing may not be in line with SSE democratic values and principles insofar as financing decisions are investor-driven rather than collectively determined by recipient actors and communities.

Financing the SSE worldwide means supporting structures that form the core of the local economy. It involves the same tools as for enterprises, financing seed capital, working capital, equipment and innovation, the same solutions, such as debt, equity, leasing and guarantees, but these need to fully factor in the unique characteristics of SSE entities that place societal goals above profit within a long-term vision, which places them at a competitive disadvantage vis-à-vis conventional profit-maximizing enterprises. Moreover, it is important to associate funding with local legislation and culture.

Supporting the SSE and its financing ecosystem will help to:

* localize the SDGs by supporting the emergence of a local economic fabric with a strong social and environmental impact that puts people and the planet back at the center of decision-making,
* maintain access to basic financial services, including in the most remote and rural areas, in crisis and post-crisis contexts, through the work of MFIs, which are constantly innovating to adapt their practices to the deteriorating living conditions of their customers,
* support the impact assessment measures that are essential to ensure virtuous finance, centered on the social and environmental impact of structures, driven by the values of equity and inclusion, and concerned with a return that is certainly patient,
* strengthen incentive models to support and reinforce the social and economic inclusion of traditionally marginalized populations, excluded from financial systems and international supply chains,
* increasing confidence and funding for SSE intermediaries and financial players such as cooperative and ethical banks, foundations, MFIs, mutual insurers, social impact funds etc. to facilitate sustainable development action at different territorial levels,
* support the emergence of collective and inclusive entrepreneurship projects that meet the needs of communities, and where workers have the right to participate in the governance of enterprises,
* support just transitions through the presence of SSE in key areas such as renewable energy, sustainable mobility and transportation, waste management, biodiversity, the circular economy, community management of water and other natural resources such as forests, housing, agriculture and food production, industry 4.0, or cooperative digital platforms,
* put SSE at the heart of partnerships to increase the share of SSE entities in markets, as their primary objectives are to advance sustainable development.

[1]<https://unsse.org/2024/09/10/launch-of-the-untfsse-technical-working-group-on-financial-access-and-support-for-sse-entities/>

[2]<https://www.tresor.economie.gouv.fr/Articles/357fda87-cc16-4244-922e-59c1084f2fb2/files/6d5934c5-20e1-4dcc-9194-8a4df99b8f26>

[3]<https://press.un.org/fr/2024/sgsm22200.doc.htm>

[4]OCDE (2024), Financement multilatéral du développement 2024 (version abrégée), Éditions OCDE, Paris,<https://doi.org/10.1787/42dc17c2-fr>.

[5] [Advancing the 2030 Agenda through the Social and Solidarity Economy](https://unsse.org/wp-content/uploads/2022/09/Advancing-the-2030-Agenda-through-the-Social-and-Solidarity-Economy-UNTFSSE-2022.pdf), International Labour Organization 2022

[6] Loi 1/2023 de Coopération pour le Développement Durable et la Solidarité Globale<https://www.boe.es/buscar/act.php?id=BOE-A-2023-4512>

[7] [D’après la LOI n° 2021-1031 du 4 août 2021 de programmation relative au développement solidaire et à la lutte contre les inégalités mondiales (1)](https://www.legifrance.gouv.fr/eli/loi/2021/8/4/EAEM2019665L/jo/texte)

[8]<https://coops4dev.coop/en>

[9] With a Compound Annual Growth Rate of 14% over the last five years, assets allocated to impact investment strategies are growing steadily,<https://thegiin.org/publication/research/state-of-the-market-2024-trends-performance-and-allocations/>

[10]<https://s3.amazonaws.com/giin-web-assets/giin/assets/publication/giin-stateofthemarket2024-report-2024.pdf>

1. Definition from the resolution of the International Labour Organization concerning decent work and the social and solidarity economy, adopted in June 2022 and recognized in the Resolution [A/RES/77/281](https://documents.un.org/doc/undoc/gen/n23/118/68/pdf/n2311868.pdf) [↑](#footnote-ref-1)