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Financing the Social Solidarity Economy (SSE) and the Inclusive Economy

Summary of the thematic guide

"It is our responsibility to support the development of effective financing ecosystems to support SSE actors in reconciling the objectives of impact and stability. This guide aims at drawing a clear picture of the ideas, methods and good practices developed around the world to support the financing of SSE and the inclusive economy. I hope it will contribute to enrich the work of PACT FOR IMPACT members to co-construct ambitious commitments and design a fairer and more sustainable world.

Olivia GREGOIRE, French Secretary of State for the Social, Solidarity and Responsible Economy.

"Social and solidarity finance has always been about creating a positive impact beyond financial returns by deploying capital to implement solutions to societal problems.

Milder VILLEGAS , Director General of Filaction and President of INAISE

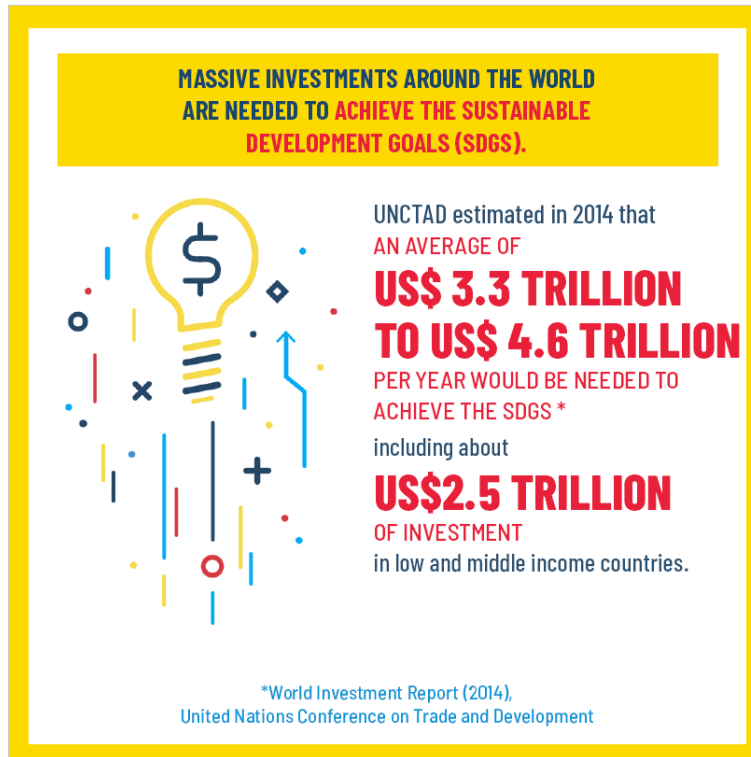
"The future of finance lies in impact, and this is a promising prospect for SSE actors. In the impact approach, change is not only a positive externality but is the core of the investment. In this, impact finance has strong affinities with SSE, which will represent an attractive investment thesis and therefore may benefit from a new influx of capital."

Xavier PLOQUIN, Senior Associate, Chief of staff of the CEO of Meridiam

Financing SSE and the inclusive economy to accelerate the achievement of the SDGs 2

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Significant financing needs to achieve the SDGs



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Barriers encountered by SSEs and inclusive enterprises in accessing finance

- Lack of information on existing funding opportunities
- Lack of financial guarantees (loans)
- Lack of administrative management capacity
- Lack of support for structures
- Difficulty in accessing short-term and long-term financing tools
- Inequalities based on gender, age, origin, socio-economic status of project holders.

In order to support the achievement of the Sustainable Development Goals (SDGs) of the 2030 Agenda, more funding needs to be freed up, facilitated and channelled towards the Social Solidarity Economy (SSE) and the Inclusive Economy.

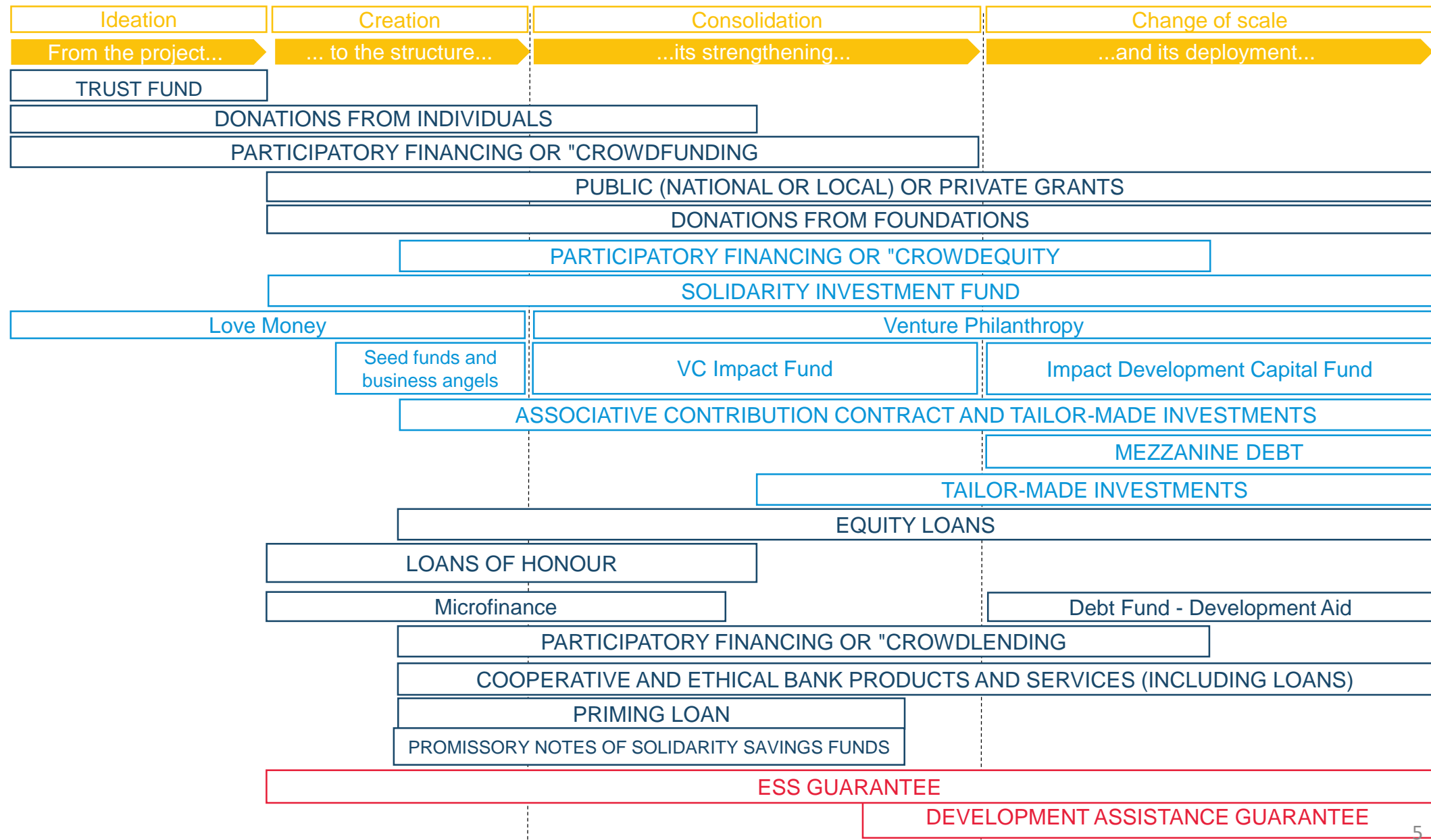
The financing of the SSE and the Inclusive Economy involves a multitude of actors in the financing chain, with their own logic and financial instruments. Taking stock of the forces involved will help to boost the financing systems at the territorial level.

Individuals	Via donations, equity, solidarity/community savings or participatory budgets
Members of the organisation and employee shareholders	Through membership fees, the purchase of shares, donations and loans
Philanthropic foundations	Via interest and dividend payments, or venture philanthropy investments
Financial intermediaries	Development banks, cooperatives, commercial banks, and guarantee funds Through the granting of loans
Solidarity and impact investment funds	Via equity, hybrid (so-called mezzanine) or medium-term loans
The public sector	Through grants, loans, guarantees, public-private partnerships, incentive programmes



Towards a continuum of financial services and products

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By supporting the structuring of a favourable financial environment, **public policies** can help SSE and Inclusive Economy organisations to explore and **secure stable sources of funding** in several complementary ways:

The establishment of an appropriate legal framework for SSEOs

The recognition of a specific status for SSEs allows for **targeted measures to be put in place to support their access to finance**, for example:

- **The introduction of a specific tax regime or measures** (reduction of social security contributions, favourable tax treatment to encourage internal capitalisation)
- **Privileged access to public procurement**
- **The provision of goods or services under facilitated conditions.** *In Italy, a reform of the service sector provides for the provision of abandoned public buildings or property seized from organised crime to SSEOs.*

The establishment of a specific statute also allows for **the emergence of common governance criteria**, which have consequences for the organisation's funding model, such as

- Rules for redistributing profits for social impact purposes
- Governance obligations based on transparency and accountability

The orientation of public procurement towards solidarity and responsible purchasing

Public procurement represents a major lever for the development of SSE and the inclusive economy. In order to facilitate the access and readability of public procurement to SSEs, it is possible to **adapt the procurement procedures to the challenges and specificities of the sector**:

- **Identifying and removing barriers to entry to public procurement** for SSEs by adapting the criteria that prevent them from bidding
- **The introduction of specific social clauses in public contracts.** Social inclusion clauses are intended to reserve public contracts for operators employing disadvantaged workers.
- **The development of reserved contracts in certain sectors, for SSEOs**
- **Co-construction of new procurement processes.** *In France, a "social clause facilitator" helps the public administration to design tenders allowing the participation of social enterprises.*

Public institutions play a leading role in **the development of sustainable procurement practices**:

- **Use of the sustainable procurement label**
- **Provision and/or use of sustainable procurement web platforms**

The use of participatory budgets also makes it possible to direct public funding towards local projects that meet the real needs of communities, often favouring SSEOs and the inclusive economy.



Public authorities have a role to play in **structuring efficient local ecosystems** that facilitate information sharing and **virtuous cooperation** between funding bodies, support actors and networks, SSEOs and social entrepreneurs.

Creating a favourable financing environment for SSE and the inclusive economy

Public institutions, through their **role of animation and networking**, can improve the **legibility of the financing offer and strengthen the territorial network of support services for SSEs and social enterprises**

- **Referencing of the main funding organisations** at territorial level (mapping, networking platform, one-stop shop). *In Morocco, the "Maroc Moubadarates" programme aims to create platforms of associations between the public and private sectors in landlocked areas, establishing a financial support mechanism for small businesses.*
- **Support for the development of networks and support structures**
- **Thematic programmes for networking of SSEOs/social enterprises with funders**

Another lever consists in **strengthening the access of SSEOs and inclusive enterprises to bank loans** under reasonable conditions that are compatible with the social and environmental objectives they pursue through a **strengthening of bank guarantee systems**

The development of solidarity finance also helps to strengthen the financing ecosystem while raising awareness **among individuals** to direct their savings towards solidarity projects. *In France, 90-10 funds are required to invest 5 to 10% of their assets in ESOs (ESUS-approved organisations). The Finansol label is awarded to solidarity investments by a committee of independent experts on the basis of criteria such as the solidarity and transparent nature of the savings products and the marketing policy.*

The development of impact investment and financing

Public authorities can also **use results-based financing (RBF) mechanisms** such as social or development impact bonds, social impact contracts, etc. The aim of these mechanisms is to finance impact programmes by relying on public or planned investors who are remunerated in proportion to the achievement of previously contracted objectives.

- **Documentation and sharing of good governance practices**
- **Simplification and standardisation of legal procedures** for the implementation of FBR mechanisms at different territorial levels and reduction of barriers to entry for small players
- **Development of new evaluation frameworks**

In South Africa, the Green Outcome Funds (GOF) provides outcome-based funds to support local SMEs in the green economy.

Another lever is to **develop impact investing**, which aims to generate measurable social and/or environmental impacts in addition to a financial return.

- **Review and sharing of impact investment practices**
- **Support for the standardisation of evaluation practices and impact management**
- **Dissemination of a culture of impact financing** (notably through training)
- **Development of tools and services** in the day-to-day and transactional activities of investors

Finally, it is important to **support the philanthropic sector in financing systemic change projects through an impact approach (venture philanthropy)**

Useful resources



Reports and documentation

- International Labour Organization, Financial Mechanisms for Innovative Ecosystems in the Social in the Social and Solidarity Economy. 14 November 2020, https://www.ilo.org/global/topics/cooperatives/publications/WCMS_728375/lang--fr/index.htm
- United Nations Research Institute for Social Development, Guidelines for Local Governments on Policies for Social and Solidarity Economy, 2021
- Global Steering Group for Impact Investment (GSGI). "Tying fundings to results: a primer in results-based finance economy to support a just covid-recovery and foster impact-driven economy". February 2021, <https://gsgii.org/events/tying-funding-to-results-a-primer-in-results-based-financing-rbf-thursday-11-february-at-2pm-gmt/>
- Global Impact Investing Network (GIIN). 2020 Annual Impact Investor Survey. 11 June 2020, <https://thegiin.org/research/publication/impinv-survey-2020>
- Catalyst 2030, Schwab Foundation, Skoll Foundation, Ashoka, Co-Impact, Echoing Green "Embracing complexity: towards a shared understanding of funding system change" - https://catalyst2030.net/wp-content/uploads/Embracing-Complexity_Report_2020.pdf



Examples of tools

- World Bank, Performance-Based Financing Toolkit (2015) <https://openknowledge.worldbank.org/bitstream/handle/10986/17194/9782326000728.pdf?sequence=5&isAllowed=y>
- EVPA, Toolkit Investing for Impact" - <https://evpa.eu.com/knowledge-centre/publications/investing-for-impact-toolkit>
- Toolkit for African Philanthropist, The African Philanthropy Forum - <https://www.africanpf.org/resources/toolkit/>



Examples of initiatives

Would you like to tell us about an innovative initiative on one of the four action levers identified in this summary?

Send us a description of your initiative by e-mail to contact@pact-for-impact.org

Contact:

contact@pact-for-impact.org

Website :

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