

Public Financing for Social Innovation (June 2026)



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Case Study

Ecuador



CONAFIPS Second-tier credit financing for social innovation

Policy rationale

In Ecuador, the Popular and Solidarity Economy (PSE) is deeply rooted in the Andean people's tradition of solidarity, reciprocity and collective property. The Organic Law of PSE formally recognises community organisations, associations, cooperatives and popular economy units as a priority sector for the country's public policy and development model. In 2016, the Organic Code of the Social Economy of Knowledge, Creativity and Innovation was enacted to structure and regulate the national system of science, technology, innovation, and traditional knowledge, while also fostering creativity and innovation across sectors.

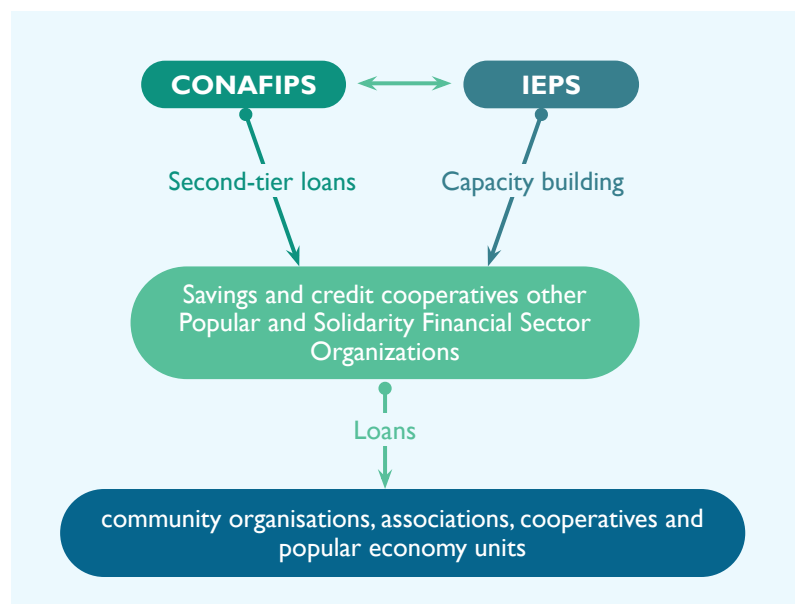
Ecuador benefits from a diverse landscape of credit providers embedded in the PSE. As of 2025, Ecuador counted 390 savings and credit cooperatives, with four mutuels registered as Popular and Solidarity Financial Sector Organisations (OSFPS).¹ Yet there are still significant gaps in effective financial inclusion.² Recent studies suggest financing constraints in the PSE stem from a combination of access barriers, inadequate credit conditions, and structural weaknesses in borrowers' financial profiles.³

Overview

The National Corporation of Popular and Solidarity Finance (CONAFIPS) is a public law body, whose main mission is to provide financial services to the organisations covered by the Organic Law of PSE. It provides second-tier financing (credit and guarantees) through savings and credit cooperatives, as well as complementary capacity development and support services.

The National Institute of Popular and Solidarity Economy (IEPS) promotes the development of popular and solidarity economy ventures, strengthening the productive, organisational, and commercial capacities of associations, cooperatives, and community-based enterprises.

The collaboration between these two public agencies began when they were founded and has consolidated over time. Since 2024, a formalised coordination scheme between IEPS and CONAFIPS has sought to reduce information asymmetries and perceptions of credit risk, thereby facilitating access to formal financing for social and community-based enterprises. While IEPS strengthens organisational capacities and solidarity-based business models, CONAFIPS channels financial resources through savings and credit cooperatives and other OSFPS.



¹ The number of Savings and Credit Cooperatives as well Mutuels is reported by the Superintendencia de Economía Popular y Solidaria on the statistics web portal <https://data.seps.gob.ec/#/dashboards/analytics/0/1>

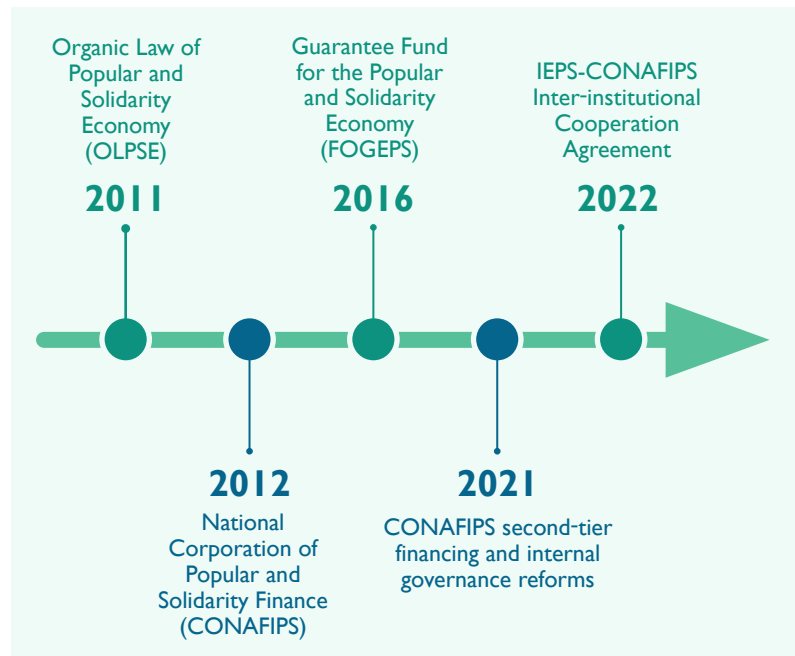
² Superintendencia de Popular and Solidarity Economy. (2023). First report on the results of the supply and demand of credit in the Popular and Solidarity Financial Sector. SEPS.

³ Superintendencia de Popular and Solidarity Economy. (2024). Results of the survey: Financial well-being index. SEPS

Timeline

CONAFIPS was officially established and began issuing second-tier loans in 2012. In 2016, CONAFIPS opened the *Fondo de Garantías de la Economía Popular y Solidaria* (FOGEPS), which provides guarantees to participating financial institutions, enabling them to extend credit to MSMEs that otherwise lack collateral.

In 2021, two subsequent resolutions widened the pool of eligible OSFPS (by setting minimum prudential and rating thresholds) and lengthened the maximum tenor for second-tier loans from 30 to 72 months. They codified internal procedures to speed up credit approvals while keeping prudential standards.



In 2024, IEPS and CONAFIPS signed an inter-institutional cooperation agreement to strengthen the capacities of owners of solidarity-economy shops and units. Under this framework, IEPS transfers funds to CONAFIPS, which then administers and disburses those resources to the project's beneficiaries, in line with the objectives of the Popular and Solidarity Economy, and reports back to IEPS on the use of funds.

As part of the package, CONAFIPS offers several capacity development services to SFPS organisations, including: a computer software (free of charge) for financial and transactional management, training and technical assistance to improve administrative, financial and social management.

Budget



On average, CONAFIPS' second-tier lending has been on the order of USD 298 million between 2022 and 2024. In 2025, contingent guarantees totalled over USD 25 million.⁴

Financial intermediaries



A total of 394 savings and credit cooperatives and other organisations in the popular and solidarity finance sector are officially registered with the government regulator.

⁴ Financial information are available on CONAFIPS Financial Statements/Indicators Web Portal: <https://www.finanzaspopulares.gob.ec/estados-financieros-indicadores/>. In this document, the information from k item (until November 30) were used.

Target clients

Community organisations, associations, cooperatives, and popular economy units are defined in the Organic Law of the Popular and Solidarity Economy (OLPSE). As of 2026, a total of 17,364 organisations and 582,627 members (associations, cooperatives and community organisations) are registered with the national supervisory body (*Superintendencia de Economía Popular y Solidaria*).⁵ The placement of first-tier credit in 2025 by OSFPS, which received financing from CONAFIPS is concentrated among young people (26.15%) and women entrepreneurs (60.18%).

IEPS has developed a diagnostic tool to evaluate the maturity of PSE (its stage of growth). Based on this, several capacity building opportunities become accessible, free of charge. IEPS supports PSE entities in fulfilling the requirements set by the financial intermediaries.

KEY FIGURES	
In 2025, 200 PSE entities received individual technical assistance from IEPS to present to financial intermediaries. A total of USD 2 million in loan financing was requested, and around 1 million was received.	In 2025, CONAFIPS disbursed over USD 265 million in loans through OSFPS to EPS entrepreneurs, prioritising microloans/productive loans at subsidised rates. These loans are targeted at underserved groups (women, youth, migrants, people with disabilities) through more than 108 OSFPS.
In 2025, CONAFIPS financing supported the generation of approximately 716,364 jobs, reflecting the scale of outreach of second-tier lending. ⁵	In 2025, 93.60% of the organisations served by CONAFIPS are satisfied with the services received.
The average interest rate at which OSFPS allocate resources to their clients has been decreasing over time, thanks to CONAFIPS promoting its resources at a lower-than-average margin in the national financial sector. For example, the average rate for microenterprise loans in 2025 is 20.17%, while the threshold rate is 25.05%.	Second-tier loans from CONAFIPS have increased production by up to 6% and employment by 4% to 24% among beneficiary MSMEs.

⁵ The number of Savings and Credit Cooperatives as well Mutuels is reported by the Superintendencia de Economía Popular y Solidaria on the statistics web portal <https://data.seps.gob.ec/#/dashboards/analytics/0/1>

Financing terms



CONAFIPS' second-tier credit lines are structured around three standard conditions: maturities of up to 72 months, microcredit rates of around 6.78%, and a ceiling requirement ensuring final borrowers are not overcharged above national limits. Second-tier loans by CONAFIPS generally finance working capital and fixed assets for popular/solidarity MSMEs, both individual and associative, up to around 20 people. Some products include incentives: if the OSFPS channels at least 60% of CONAFIPS funds into small loans (0–5,000), it receives a 0.50 percentage point discount on the wholesale rate.

Mobilisation potential



The development of CONAFIPS' second-tier credit financing has attracted the interest of development finance institutions such as the Development Bank of Latin America and the Caribbean (CAF), UNDP BIOFIN, EIB and AIIB. In 2025, CONAFIPS operations were primarily funded through obligations with multilateral organisations, totalling approximately USD 363 million⁴.

Impact considerations



Each institution has its own monitoring and evaluation framework, and CONAFIPS reports to IEPS annually on the use of its funding. IEPS tracks how many organisations make use of the diagnostic tools and access its services. In 2025, actions developed by IEPS to support PSE actors included: 19,390 actors received capacity building support, 180 actors received technical assistance, 197 received assistance to develop their business plans, and 263 were linked to co-financing. The Ecuadorian model demonstrates that financing constraints in the EPS cannot be addressed solely through credit expansion, but require coordinated interventions that combine financial instruments with capacity-building mechanisms.

Lessons Learned

The signing of the agreement between IEPS and CONAFIPS in 2024 consolidated a joint working mechanism that has enabled better coordination of productive development actions with financing processes. This collaboration has contributed to having more complete and reliable information about organisations, reduced perceived risk among intermediaries and greater possibilities for access to credit for PSE organisations within the popular and solidarity-based financial system.

In turn, the technical support provided by both entities — training, direct assistance, and technological tools — has become an indispensable component in helping PSE entities strengthen their internal management and make proper use of financial resources. Experience shows that when credit is granted without this support, the likelihood of poor performance increases, and consequently, so does the risk of default.

Data from 2025 demonstrate that CONAFIPS continues to be an effective vehicle for channeling resources to traditionally excluded segments: 60.18% of loans reached women and 26.15% reached young entrepreneurs. Furthermore, the businesses served have seen increases in production (up to 6%) and improvements in job creation, with variations ranging from 4% to 24%. Likewise, interest rate reduction schemes for non-profit organisations that provide smaller microloans have proven useful in directing financing toward activities with greater social impact.

Pitfalls to avoid	Success factors
<ul style="list-style-type: none"> • The dynamics inherent in the PSE involve slower processes and gradual maturation. Ignoring this behaviour can lead to hasty decisions or poorly focused policy changes. • When credit is provided without support, organisations often face greater difficulties in managing it effectively, resulting in riskier portfolios, poorly formulated projects, and fragile internal management. • It is common for many solidarity-based enterprises to exhibit weaknesses in accounting, governance, or planning; therefore, allocating resources without a prior assessment of these conditions increases the likelihood of default. • Finally, if incentive mechanisms are not sufficiently clear or attractive, PSE organisations tend to focus their activities on segments where they perceive lower risk, thereby limiting the flow of resources to the groups that need them most and reducing the social impact of the intervention. 	<ul style="list-style-type: none"> • Financing must be accompanied by capacity building; both CONAFIPS and IEPS have coordinated their service offerings to avoid duplication. • Greater reach: By including more OSFPS, CONAFIPS has expanded its geographic and segment coverage. • Risk sharing: Second-tier guarantees help protect CONAFIPS' balance sheet while incentivising OSFPS to provide more credit (and on better terms) to PSE entities without collateral.

Sources:

International Labour Organization (2021) *“Financial mechanisms for innovative social and solidarity economy ecosystems: The case of Ecuador”*

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