

DOSSIER

## **Ethical finance: solidarity and networking to face the pandemic**

2020 will be marked by the COVID-19 pandemic that catapulted an economic crisis which has hit social and economic activity in an accelerated and forceful manner. The most affected have and will be those that were already in a situation of fragility caused by structural inequality.

In the market, the most affected have been social economy companies and organizations, small businesses and self-employees. For this reason, the ethical and solidarity finance entities have made a move to give answers: to support the financed projects, ease their burden, setting up the networks to prevent them from falling.

# An unexpected moment of reflection

**The crisis generated in recent months by the Covid-19 pandemic has led many people around the world to rethink their work, consumption and relationships choices. Given the current health crisis and the constant possibility of new closure measures in different countries and regions, it is increasingly difficult to make medium and long-term forecasts on the economic and social impact of the crisis.**

This situation of uncertainty is determining a reconsideration of the priorities of individuals, public institutions and society in general, generating broad debates and reflections on the use of public and private resources.

At the level of public resources, as it has emerged, for example, from the long and difficult negotiations related to the European Recovery Fund, discussions revolve around the **correct balance between the need for concrete and immediate aid** for the most affected countries **and the need to guarantee long-term economic, financial and environmental stability** in the European area, and the most appropriate mechanisms to monitor the use of common resources.

Similarly, at the level of private resources, the discussions refer to the most effective financial mechanisms to boost economic activities, with a view to fostering short-term recovery but with a long-term focus on the Sustainable Development Goals (SDGs).

In fact, it seems now like a long time ago, but only a few months ago, the *Fridays for Future* movement was among the most debated topics and had gained strong momentum. On the wave of the climate action movement, the European Commission had also launched an ambitious plan for a European *Green New Deal*.

These issues, often presented dichotomously (short-term versus long-term; economic recovery versus environmental actions) and seemingly contrasting with each other, are actually strongly correlated. As it emerges more and more clearly, **the economic system based exclusively on a logic of short-term profit cannot autonomously cope with global crises** like the ones we have unfortunately witnessed in the early 2000s. Indeed, now it is clear that there can be no development if it is not sustainable, from **an economic, environmental and social point of view**.

The public and private resources introduced into the economic system must be capable of activating virtuous mechanisms that provide added value for the entire community, and not just for a few shareholders.

We could, we should, **go beyond the concept of “sustainability”** and promote an economic system that is more than just “sustainable”, but that can benefit society as a whole, the environment and the climate. This model already exists, and it is the one promoted by the social and solidarity economy, which adopts different angles in Europe, since it includes entities with different forms and legal approaches, but which share the same basic principles: solidarity, participation, social value first.

So how can we, as individuals, as a community, as part of public institutions and movements, support this “more than sustainable” development, and **not only during the crisis but also in the long term?**

One of the possible answers is ethical finance. Historically, ethical finance has been at the service of the social economy, and its objective is to use financial instruments to promote sustainable and socially valuable activities in the territories in which it operates.

Therefore, **this dossier presents some concrete examples of how ethical finance, in Europe and internationally, has been able to react, transform and adapt to the needs of the social economy and local communities during the crisis.** In recent months, the ability of ethical financial organizations to continually reinvent their products and services in order to respond effectively and quickly to new needs has been fundamental, thanks to innovative tools and approaches to deal with new realities and situations.

As can be seen from this dossier, the value of ethical finance is also given by the **diversity of approaches and the ability to work in a network with local authorities, associations and citizens.**

Therefore, **the moment of “forced” reflection** that we are experiencing may be the right moment to reconsider our personal and collective choices about the use of individual savings and public resources: **ethical finance can, and in our opinion should, be one of the starting points.**

## **Ethical Finance in Europe: an ally of communities and the social economy (also) during the crisis**

**Ethical financiers and banks, the main funders of the Social Economy sector, have mobilized their capital, experience, staff, expertise and networks to support the Social Economy at the local and European level during the Covid-19 crisis. This response reflects the historical commitment of ethical finance actors towards projects that bring positive social and environmental impacts to local communities.**

Ethical Finance banks and organisations have witnessed the immediate impact of the crisis on social enterprises and social economy organizations, which are their historical partners and clients. The sudden interruption of economic life meant that the majority of Social Economy organizations in Europe, and SMEs in general, suffered a drastic reduction in their economic activities and, consequently, in their income.

**This has put the employment and viability of many social economy organizations at risk**, negatively affecting the beneficiaries of their activities, who are often the most vulnerable groups in society. The national provisions of liquidity and guarantees for new bridge loans were designed primarily for SMEs: even if they nominally included Social Economy organizations, in practice many of them did not apply or were left behind.

In this context, ethical financiers and banks, which are not necessarily included in the measures of national governments launched through the regular banking sector, intensified their support of the social economy and local communities.

First, banks and non-bank financial institutions have moved their entire operations online in record time and continued to serve their customers without major disruption.

Second, they have voluntarily introduced a similar moratorium on loan payments to regular banks, allowing a suspension of up to six months in the payment of principal, in some cases also interest, at the request of the client.

Third, they have dealt with the large wave of requests to reschedule payments on their clients' loans, as well as new requests for loans linked to the crisis. No additional costs were imposed on clients for activating these measures.

Various additional measures such as *crowdfunding* and solidarity campaigns, personalized technical assistance, solidarity initiatives were also activated and supported by FEBEA members across Europe.

## **FEBEA network is activated**

In addition to this, FEBEA members have carried out advocacy work at the national level to ensure that social economy organizations are included in the already activated national measures for SMEs.

At the same time, FEBEA has advocated at the European level for the introduction of flexibility in the existing European EaSI financial instruments for social finance intermediaries to enable their members to better support social economy organizations.

Such actions demonstrate how ethical financial actors play an important role in **supporting the communities in which they operate**, but this is true **not only during the Covid crisis**. In fact, ethical banks were significantly less affected by the financial crisis in the last decade and continued to provide financial and non-financial support to the social economy sector. Thanks to the application of ethical financing principles (transparency in the loans granted, focus on the real economy, social and environmental evaluation of all loans and investments granted), banks and ethical financiers achieved a better performance regarding the integration of banks during the last financial crisis: they continued to grow, both in terms of deposits collected from committed citizens and in terms of loans granted to the sustainable local economy, and with lower NPL rates.

Paradoxically, the regulatory measures implemented after the financial crisis weakened ethical banks with overhead obligations and favored the advent of increasingly larger banks or banking groups, detached from the local dimension.

Increased controls, new regulatory requirements were legitimate and necessary for systemic banks that were deeply involved in the crisis, but such restrictions also applied to small local financiers that were not involved and had proven to be more resilient and sustainable.

In this perspective, FEBEA has made its contribution to the European Consultation on the renewed strategy of Sustainable Finance, highlighting the need for:

- a stronger social component in the sustainable finance taxonomy;
- proportionality in regulatory requirements considering small local financial players;
- more transparency in the financial sector;
- fair policies for CEO compensation, as the Ethical Finance actors have already done.

FEBEA therefore invites the European institutions and national governments to **fully recognize the work of ethical finance actors in Europe** and guarantee the conditions that allow them to play their role in supporting the social economy and local communities.

# Inequality in the face of the global crisis, diversity in responses

**A look outside Europe. How is the pandemic and the economic downturn affecting - and how will it affect - regions of the south, where the starting reality is already so different and diverse? What are the answers you are finding to this crisis?**

## Different ways of living the coronavirus and the confinement

In a staggered manner, the economic crisis caused by the stoppage of commercial and productive activity has been hitting at the same rate as the health sector crisis. But the previous systemic conditions in each territory have meant that the consequences are also different. And uneven.

Europe and North America, as well as Australia and some regions of Asia enjoy greater economic stability and so far control economic circuits. Therefore, now, they live in a **privileged situation within the disaster**, says Marcos Eguiguren, who until June was executive director of the [Global Alliance for Banking on Values](#), a worldwide network of banking entities "with ethical and social values." In many cases, entities have looked for ways to alleviate debts and prevent financed projects from suffering or closing, or to activate solidarity networks to attract donations.

"From here we look at the crisis in a different way, there are going to be two bad years. The key is to look at it from the point of view of the small micro-finance entities that live day by day, as when there is a lockdown they cannot face it because they suddenly stop having income", reflects Eguiguren from the experience of the members of the network from countries such as India, Paraguay , El Salvador...

## The Global South: informality and agriculture

All the sources consulted agree that the economies most affected are those of Central America, Africa and some areas of Asia. A determining factor is the high percentage of the informal economy. That is, vendors who live from day to day, artisans, food stalls ... that when economic activity stops, when they have to stay at home, they stop generating income and therefore begin to generate debt, or not being able to return what they had

ongoing. The microfinance entities that support these economic projects, therefore, are the ones that have seen the most direct effect. This is how Milder Villegas, president of [Inaise](#) (International Association of Investors in the Social Economy) and general director of [Filaction](#), tells it. "This happened before, but you could go through, now it will be even more difficult."

On the other side, Villegas explains, there are those who made a living from agriculture, on family lands (about three hectares on average per family). Given that these people or groups - often part of peasant cooperatives that accumulate a few thousand hectares in total - **control the entire production chain**, from seed to sale in the market, perhaps they **had encountered the least difficulties**, and even have been gaining, because large companies sold less or more expensive products, and they have been able to sell their products instead.

Even so, the difficulty in obtaining loans, given the situation, means that these small farmers cannot have credit that allows them to buy seeds and fertilizers, and pay for the preparation of the land. [This is how](#) Hans Perk, Oikocredit Regional Director for Africa, puts it. [Oikocredit](#) is a microfinance institution - one third of the end clients of the microfinance institutions they finance are farmers in rural areas. "They pay the loan with what they earn after selling their products to neighbors and in local markets", and will have difficulties given the movements in the international market that the crisis has shaken.

For example, in Latin America "**it is expected that the international prices of basic and energy products will decrease in 2020**, which will have negative effects on the terms of trade", point out [in this article](#) Irune Lekaroz and Arola Farré, the founders of [Microfides](#) (Microfinance and Development Foundation), a Spanish foundation that "facilitates the financing of projects of entrepreneurs in impoverished countries". And they specify in two countries where they are active: "Ecuador will be particularly affected by the drop in the price of oil. The negative evolution of remittances will also affect several of the poorest countries with greater intensity. In the case of Honduras, remittances represented around 20% of GDP in 2018. "

## Various responses to difficulties

As most of the projects financed in the south are "day-to-day businesses," Eguiguren points out, the non-return of the debt will radically impact how the banks react and will react. The policies of the country in question also have a decisive effect on both financial institutions and beneficiaries.

"Many of the microfinance institutions supported by Oikocredit are relatively small. Even before the Covid-19 outbreak, it was difficult for them to obtain the capital necessary to

make loans to these farmers” says Hans Perk. In the current crisis, in which obtaining new funds is even more difficult, “central banks are developing programs to support the formal banking sector, yet **small and unregulated microfinance institutions (MFIs) almost never qualify for this support**”.

Oikocredit has worked with these types of entities for several years and will continue to support them. For example, it has provided an additional € 400,000 investment to a partner in northern Mali that will be used to finance small grain and horticultural producers. The National Bank for Agricultural Development (BNDA), the MFI's main financier, is reducing its commitments for this year, and if they run out of funds, the final clients (2,000 families) will have no other options of where to turn.

In Africa, according to Marcos Eguiguren, the impact is circumstantial because there were already many other problems to address in addition to this virus. Even so, changes in international economic dynamics will have an impact. At the global level, it also affirms that a “more global action” must be sought in these situations, **to achieve joint responses and so that there are no entities that fall down this path**.

## **A moment to learn from each other**

Villegas affirms that “**the need for solidarity between organizations and between nations already existed, but now it is even greater**”, not only in the north, but also to strengthen the networks between more distant and diverse entities, “because we are global”, a condition that from his point of view makes international mutual support necessary. In INAISE they have worked a lot in this direction. They recently held their General Assembly and from that meeting many voices emerged that highlighted the need to “meet more”, since in that space, in the midst of the maelstrom, they found a place where “to share difficulties and solutions that was very useful for many” says the president of the association established in Canada.

"In our case we have experienced it among some of the main international funders who work in the microfinance and financial inclusion sector," they confirm from Microfides. "Tools have been developed and distributed to face the crisis, **as guides to develop contingency plans and better face financial, social, institutional challenges**", as well as "countless online meetings to reach agreements between funders that allow us to help and accompany to the MFIs in a coordinated and joint way" they explain.

In GABV they have anticipated this and have only just begun to detect possible difficulties and made a dossier of good practices with the responses of some of its members to the Covid-19 crisis.

## "This has only started"

Marcos Eguiguren thus expresses the certainty, or rather the uncertainty, that the current moment is the beginning of a structural crisis from which we will continue to see the effects for a while.

"If the situation persists - and it is going to last - it will become even more complex in places where the lack of income is a prior issue" adds Villegas. "**There are many intercooperative and transformative processes that the crisis has stopped,**" he acknowledges, but at the same time he believes that **there are new ones that are emerging, or that should begin soon, that are rooted in solidarity.**

## **"The pandemic is the trigger of the crisis, not the cause" Dolors Comas d'Argemir, anthropologist.**

**Dolors Comas d'Argemir. Professor of Social Anthropology at the Rovira i Virgili University.** She has researched on many topics, but she especially highlights those that refer to **political ecology** and those that show the **interaction between gender and class inequalities**. Gender violence and care work are the topics that she has studied the most in recent years.

### **What reading do you have of the current moment in economic and social terms?**

It is a very difficult time, due to the rise of neoliberalism and the worst faces of globalization, which has worsened with the coronavirus crisis. But I want to emphasize that this latest crisis does not depend only on a biomedical issue (which too contributed of course), but has strong social and political components. It highlights the contradictions of the system in which we live. Economic growth at the cost of the destruction of the environment and at the cost of life, where it is the poorest who suffer the most and it is women who carry the heaviest burdens.

After the golden years of the construction of the Welfare States in Europe, we have now the consequences of their thinning. Today the contradiction between capital and labor has expanded to the contradiction between capital and life. That is why the social struggles that have appeared in recent years are added to the union ones and are struggles related to social reproduction, in defense of public health, education, pensions, the environment, housing...

**Reading your intervention in the 2019 conference "10 years of crisis. We take control of finances", collected in the book "Social movements in the face of ten years of crisis" (Icaria Editorial), you speak of the decline in social rights of this period, but at the same time of the rebound of citizens organization against this attack. How will this new crisis affect both ways?**

Uncertainties characterize this new crisis, and that makes predictions difficult. Indeed, social movements are the reflection of a living society, which does not allow itself to be bent before injustices. And I trust a lot, as an element not only of resistance, but also of social transformation.

We now see clearly What feminism or environmentalism has proclaimed for years. We need a world where we can live and that is not achieved with the destruction of nature; we need to work in order to live, not to be slaves. We need to proclaim the defense of life as a central element. And all of this is meaningless if social inequalities persist. We need social justice. And we have to claim it from politics, from social struggles.

I have learned in life that nothing is given to us, that we have to fight to get what we want and what we need. Those in power don't give in so easily.

**Following the thread of the same text, in recent months there has also been a lot of talk about social vulnerability, and structural inequalities, which already existed but - at times like this - are they accentuated or are they only made evident?**

First they are highlighted, and then they are accentuated. As I expressed before, the pandemic is the trigger for the crisis, not the cause. It shows the weaknesses of the system, the vulnerabilities. We have seen it with what happened in the residences. It seems very concrete: it is not. Not only does it show us the fragility of the social organization of care, but it also questions us about what role we give to old age, to intergenerational relationships, social ties, to the continuity of society.

We have been shown who are the essential workers: the caring class, in the words of David Graeber, because without this caring class none of us could live. And the pandemic has affected unevenly: it has been exacerbated with the poorest sectors, the most vulnerable.

**Gender has also greatly marked the way in which the situation has impacted and will impact. In what specific ways?**

Yes, women bear the brunt. They are predominant in this caregiving class, which is often practiced without labor rights, as is the case of domestic workers, for example, or which is practiced in worse conditions than men. The gender gap exists. And it already begins with the gender gap in care, because women are the ones who mostly do the unpaid jobs that allow us to live: they take care of the people around them, and this, which is very necessary, conditions the life trajectories and other opportunities (work, politics).

Right now I am conducting an investigation on the impact of Covid-19 on caregivers of elderly and dependent people, a predominantly female sector, which has been relegated during the pandemic, at least in its beginnings, and which has suffered greatly from its consequences. They are the workers in residences, in home care services, personal assistance, housework. An essential sector, although it has been very invisible. This is an

example of how gender permeates the value we place on certain occupations. But I also have to say that women are fighters, and let's note that women are very present in a good part of current social movements (what we call "mareas" for example).

**Around these difficulties, especially economic ones, there have been responses -which already existed or that have arisen as a result of it- to face it, from the community spaces, organizations and social movements, of the SSE. What would you highlight? What have been their short-term effects?**

There are defensive social struggles, and some I have mentioned before, such as struggles demanding rights, defense of the public system, of pensions, the PAH itself (*Spanish grassroots organization that takes direct action to stop evictions and campaigns for housing rights*). They are necessary struggles for those who suffer the most from social injustice, and they are resistance struggles because they try to preserve universal access to such basic and important elements as health, education, and housing. There is also the trade union movement, which comes from further afield and defends the rights of workers; necessary but with problems to face the new precariousness derived from unstable, *uberized* jobs.

The movements that seek alternatives to the system are very interesting and important, such as ethical finance, social economy, consumer cooperatives. And I place the 99% feminism and environmentalism as movements that contribute elements for social transformation, since they erode the foundations of this productivist system that creates so many gender and social inequalities, and give a new value to the need to give centrality to life.

**Do you share the view that something positive can be extracted from these moments, on a collective level? Why?**

Every crisis supposes ruptures, they reveal things that we did not see, they force us to reinvent ourselves and to rethink the world in which we live. But I insist, the uncertainties that the moment brings us and the management of these uncertainties are the key. The management of fear can lead to more repressive societies, and Naomi Klein has shown us how capitalist logic, that of unequal power, has known how to take advantage of chaos, of crises. But it is also true that this crisis brings awareness to aspects that we had not questioned and challenges us about lifestyles that have proven unsustainable.

**Do you think the system and the institutions that support it could keep it intact? Or has it also shown cracks? Some vulnerability?**

Much has been written about this and I don't know if I can add anything new to it. We have been blind to aspects that we could foresee. We saw this virus despised because it seemed that it was exotic, it was far away and it could not affect us, with incredible pride. Scientists have long been showing that the "urbanization of animals", macrogranges, facilitate mutations of viruses and their transfer to humans.

Do we alter nature to unprecedented extremes and we think that this should not take its toll? There have been reports about it for years, which have not been taken into account. Because they involve questioning very thoroughly the predatory and unjust system in which we live.

**Do you have or could you make a forecast of what the coming months (or years) will be like? Or do you identify proposals for how to approach them to avoid or alleviate the consequences and difficulties that may follow?**

I wish I had the recipe... I don't have it. Yes, I am sure that new forms of solidarity, political and community action must be generated that do not abandon the most in need and vulnerable people. The crisis increases inequalities and we do not have to conform. We would be wrong if we stimulate anti-political reactions, easy to emerge in response to fear and uncertainties. We need more politics, of the good kind, than can be done from the institutions and from the streets in the defense of social justice. And here each of us can play a role.

# Thinking about pandemics and ethical finance

**Financial, ecological, health .. in recent years we are managing to exhaust the adjectives to label global crises. Those that we label, of course. Because there are others that are so permanent that it seems that they no longer capture our attention, not even that of the media.**

Crisis that, incidentally, continue to invite us to analyze what is happening. They invite us to do much more, of course. **There is too much pain, fear and uncertainty to only look at the reality, without feeling the obligation to influence it.** We have to say this at least, before continuing with this reflection.

The possible angles to think about this crisis are obviously very numerous. Most were already present in other crises and, I fear, they will continue to be in those that remain to come: the consequences of globalization unleashed at the mercy of the interests of the major economic and political players, the risk and preference for people and the most vulnerable sectors, the value - always under suspicion - of a strong and responsible public sector that watches over the common good, the need for an individual and collective moral fabric capable of changing our priorities as a global society, the limitations of a **blind economism towards solidarity and cooperation or towards how much we depend on people** - the vast majority women, let's not forget - developing tasks that the market does not consider worthy of recognition related to their contribution to well-being ...

Many of them are discussed and will continue to be discussed for quite some time. Some will be buried because they are suspected, once the immediate threat is over, of engaging in "dangerous anti-system ideological ramblings." Let's hope that a few of them will leave us at least new lessons that - perhaps this time they will - help us to be better people and better societies.

## **Ethical finance under review**

In the permanent task of creating and consolidating alternative financial intermediation circuits, this is an invaluable opportunity to look back at its principles and reread them in the light of what is happening. It is an exercise in intellectual honesty that we must take advantage of, not precisely with academic aspirations, but with the intention of analyzing the social value that these principles provide in a specific situation such as the current one. We cannot forget that we have always explained that ethical finance is just that: **the**

**practical result that is obtained when organized civil society proposes a thorough ethical analysis of financial intermediation** and consequently proposes a new model to develop it.

It's ethics applied in the most demanding sense of the term. Projects that try to respond in a coherent way to the different ethical challenges that are revealed when we ask ourselves about essential aspects of the financial field such as the criteria for deciding financing and investment strategies, tax responsibility, remuneration schemes, the destination of the benefits or governance.

From this perspective some principles and modes of operation make sense, and we - as ethical finance actors - adopt such principles as our own and show them transparently, turning them into a public commitment for which society can hold us accountable. Given the task, a fairly intuitive way to systematize this exercise of honesty is to review these principles and modes of operation, trying to analyze how they "work" in the current situation. It is, obviously, an exercise that, developed with due depth, can take us a long way, so we will only outline some of its most important aspects here.

### **Autonomy, profit and culture**

We tend to forget it with some frequency, but it is especially in these moments when a key element appears so that an organization can respond adequately. This element is none other than their autonomy, their real capacity to adopt certain measures assuming the related consequences (economic or otherwise). Asking ourselves about our autonomy, there are at least two essential factors that we must analyze.

The first factor has to do with what are usually considered the "**material conditions for freedom**", those characteristics of an instrumental nature that allow, in fact, our organization to be able to make decisions, beyond the formal recognition that we have (or we are granted) that ability. And here are the economic factors. We have reflected many times on what is usually known as the "yoke of super profitability", that requirement that hangs like a sword of Damocles on companies, especially those listed, to subordinate any strategy to certain economic and financial indicators that can please some shareholders and attract new ones. The loud statements about "the interest of the client" or "the care of our employees", which are found in all the declarative documents of all organizations today, collide with economic reality, precisely at times in which to do effective that recognition becomes more necessary.

When ethical finance raises, as one of its most characteristic elements, **the absence of profit or cooperative governance**, it is precisely seeking to **maintain an autonomy** that allows it to adopt decisions: although they involve in practice tensions in the organization,

whether directly economic or otherwise, they are supported by the social base, pursued by their managers and supported by all the professionals who have to implement them. A common culture that recognizes what MacIntyre - to which we will return later - called the internal good of the organization. Ultimately, a culture that focuses on what - ethically - must be done. It is important to understand this **connection between profit, governance and purpose**, to avoid falling into simplifications that are often superficial or self-serving criticisms of its true value and meaning.

It is undoubtedly **a good time to test this culture**, asking ourselves if ethics is an element that arises a posteriori for reasons of context or social pressure, and not an aspiration that arises from the very moral core of the organization.

It is quite true that currently all organizations speak of their interest in building culture, managing culture, creating culture... But we cannot forget that not all culture is ethical culture, as not just any value is ethical. Innovating, striving, undertaking, even collaborating, are virtues only to the extent that they are oriented to a certain good, being of great importance to know what culture an organization builds and transmits. For ethical finance organizations, the internal cultural dimension (we will talk about the external one later) constitutes a fundamental element and is thus declared, explained and developed. That is why we address those elements of culture construction within the strategic priorities, **transparently reflecting what we do and from what (ethical) perspective we do it.**

It is from this perspective that the deepest sense of values declared by ethical finance can be understood, as well as some of its practical concretions. Austerity, sobriety, limits on remuneration, the destination of profits, the consideration of capital ... are commitments that are assumed because they contribute to reinforcing the autonomy and ability to operate of the organization. Finding, in these times of global pandemic, initiatives to support the groups especially affected is nothing but a **coherent response** with that organizational culture of ethical finance. Thanks to this, ethical finance not only wants to respond, but, in many cases, is the one that can best respond, as we will see later.

### **Governance: the deep meaning of cooperative activity**

With the organizational culture at the base of that communion of interests among those who are usually known as internal stakeholders of the organization (professionals, managers, shareholders), we must ask ourselves how that culture can permeate the entire organization in practice. In other words, and applied especially to the current situation: how a certain governance model can make the agents composing the organization act not only as allies, but also as committed, informed actors with the capacity to influence the concrete strategies that the organization, immersed in a new and challenging context, must develop.

In this sense, we can point out various reasons to substantiate not only the value, but the need for cooperative governance in ethical finance organizations. The first, which in some way includes all the others, is because **this governance model allows, better than any other, to develop the internal good of ethical finance with the necessary autonomy.** A model **based on participation**, which allows us to build a new type of relationships as an organization (internal democracy), a new type of relationships in the field of financial intermediation (relational dimension of economic activity) and a new type of relationships in the public sphere (political dimension, citizen construction of public space).

Cooperative governance is an essential condition for building a business project that goes far beyond the mere management of *stakeholder* interests, as proposed by CSR models. This style of governance goes a step further, building on a logic that understands that stakeholders are not mere carriers of their own interest, but authentic Carriers of Value who feel they are protagonists and recognize their responsibility to participate in the construction of a solid and sustainable business project.

Although it tends to be difficult for us to assume, it is important to understand that ethical finance organizations seek to **create a community of interest around values “not directly favorable to one's own”**, such as the recognition under certain conditions of the right to credit, the reconsideration of risk or sectors and groups that are a priority.

We spoke before about ethics as an element that has occurred in many organizations. In this sense, we cannot forget that **the governance model plays a fundamental role in the way an organization incorporates ethics in management.** In these times in which the notion of ethics is handled by so many people, it is important to establish a clear difference between understanding ethics as an intrinsic element that is incorporated a priori in the deliberative processes of the organization or, on the contrary, as an addition to be advertised as appropriate. An ethical management that the organization has incorporated into its culture and that is much more than mere appearance, coincidence or in the best of cases, opportunistic adherence. Ethical finance actors are well aware of the **inertia and pressures** imposed by the context in which they operate, so marked by market demands, and they know that they need a governance capable of drawing on the contributions that the various **Value Carriers** who want to contribute in the construction of an ethically sound project. And that means, again, **creating structures and processes** that ensure effective cooperation in the governance model.

The **cooperative governance** model, when it unfolds its full potential, becomes a bet of a clearly **countercultural** nature, but which is essential and shows all its potential in times like the one we are living in, in which many professional groups and companies discover (some acting consistently) that it is necessary to rescue values such as **donation, solidarity or generosity**, usually banished from the corporate culture but which today become indisputably necessary.

Reinforcing the common interest against others of a more “private” nature (although these are often also legitimate) contains a proposal with **great transformative potential** and clashes head-on with the *homo economicus* model that is presented in the dominant economic culture as the only one desirable, which characterizes a "rational" person.

It is also important to understand, and especially in times like these, that cooperative governance enables us to assume, at all levels, our responsibility as an ethical finance organization. From the direct knowledge of what is happening, through our own presence and the relationship with people and organizations that show it to us, avoiding opportunism, self-referentiality and paternalism. It also enables us to “render accounts” (accountability), to keep alive our commitment to rebuild a public space, helping to create citizenship that is **much more than an individual aggregation of consumers**.

Cooperative governance opens the organization to the society in which it lives and in which it displays its citizenship. Starting with the social base to which it effectively recognizes its right to participate in the most important decisions and contribute to building a solid, sustainable and responsive organization, passing through its own professional and governance structures, and reaching society in general, as a place for the construction of the public with which ethical finance is committed and as a space that shows us what must be transformed (civil society networks, public entities, companies ...). Without forgetting our clients, of course, who we will talk about shortly.

Various elements in turn enable the organization to develop this cooperative governance model. Some are those of internal democracy (electoral regulations, structures and processes of participation). Others have to do with the external dimension, both with regard to social interaction (participation in networks, strategic partners, alliances ...) and political advocacy (campaigns, lobbying ...). For all this, it is also important to highlight that building an informed and mature participation is a duty of ethical finance organizations, which need a shared culture and robust internal advocacy mechanisms.

In short, we cannot forget that, when analyzing the conditions proposed by the political project of ethical finance to its social structure and to society as a whole, we find that one of the keys enabling the realization of this project resides in the expectations of the agents gathered around it. The governance structure, the associative dynamics, the growth strategy, the dynamics of relationship with other social agents, the public presence, training, communication ... are elements that must be analyzed, in a permanent surveillance. These are good times to see how all these elements have been activated and to check their functionality and value.

## The Inner Good of Ethical Finance (1): Credit for the Real Economy

We mentioned earlier Alasdair MacIntyre, who in his influential and referential work *Tras la Virtud* (1987) explained how human beings develop multiple types of activities, among which it is convenient to highlight and differentiate at least one of them, which he calls "practice." He defined the **practice** as a socially established cooperative activity, subject to rules, with which internal goods are carried out, generally in the context of organizations (companies) that promote it. **Internal goods** are inherent to the nature of the professional or business activity that is carried out and differ from external assets - money, power, prestige - attached to them, which, although they may be legitimate, cannot in any case replace the above, but obtain them as a consequence of well-oriented practice.

Some authors even suggest in their reflections on new business models (such as Paul Collier in the recent book *The Future of Capitalism*), that some of these elements, usually considered the ultimate goal of the organization (especially the maximization of profit and the consequent retribution to the shareholder), are nothing but "limitations" or "conditions" that a well-managed company must take into account, but in no case the ultimate purpose of it.

For ethical finance, the internal good is linked to financial intermediation, understood as the creation of economic savings-credit circuits that allow promoting the development of direct economic activities that, by meeting certain requirements, **generate social welfare and build common good**. Many practitioners say it in the Statutes or other founding documents. The European Federation of Ethical and Alternative Banks and Financiers (FEBEA) declares it as one of the fundamental elements that characterizes ethical finance entities in Europe.

In the current situation, this commitment to the real economy has a very clear reading: **meeting the needs of our credit clients, many of whom are immersed in extremely complicated situations**. This situation will generate (it is already doing so) long-term effects and, as many voices are already recalling, it will affect particularly seriously those who were already in fragile situations. This means that it is necessary to take a step forward, get closer to them, become interested in their reality, study mechanisms that can contribute to some extent to improve their situation ... It also means rejecting (and also reporting) those who take advantage of the opportunities that this situation presents to setting abusive conditions, speculating on prices, misleading advertising, etc.

This is the approach that marks the horizon from which ethical finance defines its concrete strategies in these times. Obviously, making these strategies operational requires paying attention to those elements that can make it possible. Let's analyze some of them, because they can also give us interesting information about the deep meaning of some of the working principles of ethical finance.

The first one is pretty obvious. **Knowing the reality in which we are immersed, the community that we contribute to build** (an essential component of our citizenship as an organization), is an obvious starting condition. However, not because it is obvious we can take it for granted. Many financial entities, especially with the wide penetration of digital tools, have gradually moved away from concrete realities, in such a way that they have stopped understanding (and especially in strange times, like these) the particularities of the needs of certain especially vulnerable sectors.

“Normal” clients become digitized files and their vital realities are translated into statistics and indicators. Very efficient in some cases, no doubt. But absolutely inapplicable in these times. Ethical finance has developed for decades a financial practice oriented precisely to these sectors, which has allowed us to generate a wide network of **open communication channels** that make it possible to know their situation first hand.

A second element is **specialization**. Our financial practice not only allows us to get to know you, it also allows us to understand your needs. These are years of work in which we have developed a knowledge and a practice that is valued even by those who, from public administrations at different levels, understand that it is necessary to support certain specific sectors and do not find the interlocutor they need in the large financial operators.

Another element of great value is the **alliances in which ethical finance regularly participates**. Organizations and networks that we trust and that trust us. We cannot forget a reality on whose consequences we have reflected many times: ethical finance organizations offer just that, financial products and services. Savings, credit, means of payment ... solutions that may be necessary for many people and organizations, but that are hardly the only key to respond in situations like the ones we are experiencing now. Feeling part of a certain ecosystem in which we share culture and priorities allows us to participate in a coordinated way in a **collective strategy** aimed at offering a set of instruments, all necessary to respond to the situations that this crisis causes.

Many of the ethical finance entities, when they began their journey, decided to bet on conforming themselves as banking entities subject, like any other bank, to the regulatory framework and supervisory mechanisms. The reasons, without ruling out the value of other models of financial intermediation, are clearly understood at times like today.

Finally, it is also necessary to consider our **relations with public administrations**. Ethical finance has been building a legitimacy that is not based on our volume or our ability to modulate our reputation, but on our way (transparent, let's not forget) of doing finance. A legitimacy that allows us in these times to interact with many administrations of various levels for the implementation of emergency intervention programs that need financial institutions that know the field, have the tools ... and are trustworthy.

In line with the collaboration between ethical finance and public administrations, it is worth making a brief reflection. Many of the ethical finance entities, when they began their journey, decided to bet on conforming as banking entities subject, like any other bank, to the regulatory framework and the sector's own supervisory mechanisms. The reasons for making this decision, which undoubtedly greatly complicates the construction and consolidation of the project, are clearly understood at times like today. In situations like the ones we are experiencing, some measures (especially those offered by public administrations at different levels) can be used to **reinforce the impact of ethical finance in our own areas**, allowing a greater capacity for social penetration.

## **The Inner Good of Ethical Finance (2): Much More Than Finance**

FEBEA used the following slogan for its congress and annual assembly: "Beyond credit." The assembly will be online and the conference will not be held, at least for a few months, but what is clear is that the motto, which undoubtedly remains valid in the current context, has a lot to do with the value of ethical finance in these times and especially in those to come.

We frequently emphasize that modern ethical finance projects emerge from two driving forces. On the one hand, an in-depth reflection on the **right to credit**, normally developed in turn by organizations that understand what the effective recognition of this right under certain conditions supposes as an essential element for the development of the capacities of many people and organizations, as well as its value as a trigger for positive social impacts that cannot be generated without the support of this fundamental instrument.

The other driving force is the demand of many people and organizations that their money on deposit be treated by the financial institution as a **common good** and that, therefore, it uses it to generate these effects (justice and social value) we referred to. Subjects that require that the financial institution with which they work is capable of rendering accounts, showing with clear, complete and reliable information that this is the case.

These two forces generate financial projects that are much more than banking activity, causing ethical finance organizations to establish priorities in their strategies for action that go beyond the offer of typically banking products and services. Among those priorities we can highlight, due to the potential they hold in these times, two of them.

The first has to do with a need that exists permanently in our societies but that is especially acute in contexts such as the one we are experiencing. These are financial needs (credit, capital) that are not offered in the banking market, as they are clients that make up the group of "**non-solvent applicants**". A group for which the invisible hand of the market does not work, which becomes a blind hand to their needs.

Many of the strategies that will be necessary to implement in these times, which are a permanent need in many impoverished areas of the planet, require an **adaptation** of many of the market characteristics of credit products (terms, moratoriums, guarantees, risk assessment ...). Ethical finance has, as an essential part of its culture, not only (as we mentioned before) the knowledge of these situations and the experience to understand and adapt to them, but also the vocation to take a step forward, take the initiative and **work proactively** (with others possible allies) to respond to these “out-of-market” demands and for those that often require instruments that financial operators subject to supervision (among them, as we said, many ethical finance entities) cannot offer.

The value of the “ecosystem” of ethical finance is thus understood, whose diversity makes it an extremely rich space for offer solutions adapted to the various areas that demand the need for very diverse financial partners. And it supposes, as we said, a stimulus to cooperate between the diverse inhabitants of this financial ecosystem.

The second priority is perhaps one of the most characteristic distinctive elements of ethical finance, and it is what makes us understand it as citizens’ projects with a clear political vocation. We refer to the **responsibility to influence** (pollute, we have been calling it, although it is a term that perhaps we should review) in the public sphere. The meaning of this cultural work aimed at **dismantling the myth of *homo economicus*** becomes evident for many people in these periods of crisis, although we must admit that, at least so far, such recognition remains for the vast majority simply that, a pre-occupation that does not trigger profound changes in the way of behaving regarding the issues that have become evident to us during a difficult period.

It is important to note that, although this “selective amnesia” applies very clearly, especially in governments and companies, it is no less true that the common cultural substrate also quickly returns to the shelter of the individualistic consumption model. That is why it is a priority for ethical finance to persevere in the cultural task for social transformation and to do so with the legitimacy granted by the fact that this task is driven by those who have been doing it in practice for many years, showing that it is not about of mere aspirational discourses, but of a **feasible, necessary and urgent proposal**, whose value is put clearly manifested in times like today.

Ethical finance, therefore, assumes as one of the inseparable elements being a citizen, the perseverance in maintaining **spaces of education** both “in” and “for” the exercise of citizenship, committing ourselves to a process in which, as we will see below, a lot is at stake.

## **Ethical finance after the pandemic**

In "*The world after coronavirus*", an article published in the Financial Times on March 20 by Israeli historian Noah Harari, the author outlined with remarkable lucidity some of the most important lessons we can extract from what is happening. In his reflection, he suggested that there are mainly two challenges that will remain pending after the Covid-19 crisis: on the one hand, **overcoming the (false) debate between health and privacy, which will require a thorough review of the role of states and of the big global corporations**. On the other, the (urgent) need to create a **global culture of cooperation** at all levels, which will be essential to be able to face the multiple challenges of a global nature that we are facing and those to come.

Regarding the first challenge, the author reveals its fallacious character, encouraged in an interested way by those who take possession of our personal data (even hypodermic, as he expresses very graphically), as a difficult temptation to overcome. Harari instead proposes a different approach: **totalitarian surveillance or citizen empowerment**. Without going into the details of his reflection, he highlights the value he recognizes in the dynamics that contribute to legitimizing different global actors (governments and companies, especially), both through clear and transparent information and through mechanisms of control and accountability. Dynamics capable of generating a culture of trust in the institutions that gives rise to processes of citizen accountability (including civil obedience when this is necessary) based on the recognition of the autonomy of individuals (citizens) not monitored, but free and empowered.

It is easy to establish a correlation between this proposal for citizen empowerment and some of the clearly political elements of ethical finance that we have been analyzing. Ethical finance has understood from its origins the need to build empowered citizenship, creating stable and permanent structures and programs for training, debate and communication, which can be easily adapted to a new global scenario that generates many perplexities and in which it is fought the battle between totalitarian surveillance and citizen empowerment. It is important to understand that contributing to this process of citizen empowerment has a double meaning for ethical finance. On the one hand, as we say, it involves a political commitment aimed at building better societies. But we cannot understand it simply as a militant option, however valuable it is going to be in the near future. It is also a condition of possibility for ethical finance proposals to develop.

There is one thing that ethical finance is certainly not able to do, and we suffer it with special intensity at times like those that this global pandemic has brought us: to go far enough. The intention, the responsibility, the purpose, the alliances ... even the commitment of some administrations, is not enough. **We are not enough, nor strong enough**. We return to the hackneyed topic on the real possibilities that this model will one day have the capacity to become the model followed by a large majority, with the consequent suspicion (in a strategy that is not innocent many times, let's not forget it) that we cannot be more than an endearing adventure doomed to remain as something that never it will become an exception in the wide world of finance.

Faced with this frustration, we must emphasize that our chances depend in part on our actual ability to respond, our consistency and our motivation. But they also depend, and a lot, on the existence of a context of empowered, informed, and responsible citizenship, which is incorporated into this task of rebuilding the way finance is understood in society. As the proposals of communitarian ethics remind us, it is necessary to take into account the great importance of the "ecosystem", the vital context in which the company operates. This context, called to exercise its own responsibility, is especially relevant as an enabler, collaborator and ally of ethical finance in achieving its commitment to the common good.

The task, therefore, must be assumed from the level of individual citizenship behaviors (such as consumers, workers, voters, activists of civil society organizations, educators, managers ...), to the level of the global normative and institutional frameworks, going through the different social actors that make up the organizational fabric of our societies, in which we find the companies themselves, but also trade union organizations, public administrations, universities, NGOs, ... And this process requires a community that recognizes the value of sustainable finance in the deepest sense of the term, and that is interested in creating, at different levels of social organization, a context that favors ethically excellent entities. That would be, in a very simplified way, the stage of arrival of a process of **remoralization** of the financial sphere that, as we have been saying, is correlative to the process of regeneration of the global model that governs our behavior in the economic sphere.

The second challenge highlighted by Noah Harari is related to the need to build dynamics of cooperation at all levels. Again, we can establish at this point a very evident correlation with another of the essential elements of the ethical finance proposals. Cooperate, participate, co-build, learn together, join in... the nature of ethical finance, from its very emergence as collective action projects, cannot be understood without a **cooperative base**. We have analyzed it from different perspectives throughout this reflection, from the tradition of cooperation with other allied actors to design joint intervention strategies in situations in which the financial response is not enough, to the value as a testimony that it is possible to develop alternative financial projects with a cooperative base, going through the capacities offered by our style of governance.

The need to cooperate also has obvious connections with the question of the limitations that ethical finance presents today in terms of social capillarity. As we have already highlighted, this limitation cannot be considered inherent in the model, but rather as a consequence largely justified by the absence of a favorable context. In this sense, **cooperating among ethical finance organizations** is also a strategic requirement that seeks the objective of increasing the model's capacity for social penetration, and especially in regard to international normative frameworks and regulations. The advances shown in recent years by FEBEA in the development of this advocacy strategy are good proof of a path in which it is necessary to continue advancing.

Ultimately, we are once again seeing that it is necessary to cooperate at all levels, in a world in which local realities are shaken by global events. Cooperate between countries

and between organizations from different countries, creating **networks of joint intervention** that are much more capable of dealing with the damages that phenomena, that can arise anywhere in the world, can produce in our specific contexts.

A context, let's not forget, full of "normal" professionals, many of whom are showing us all with their supportive and cooperative behaviors how much we need them. A space populated by small actors of the real economy that have been directly hit, without even waiting this time for the diabolical contamination from the speculative sphere that occurred in the 2008 crisis. A space in which **many invisible people are still forgotten, for the that neither governments nor the market have answers.**

**Will we learn new things? For sure. Will anything change? ... It will depend on the existence of legitimized institutional leaderships with a will to transform.** In the last acute crises and in those permanent ones that plague many parts of the planet, we have to admit that we have not found them. But it is also necessary to assume that we cannot speak of a social context that favors the emergence of these leaderships, a global society dominated by an empowered citizenry that relies on transparent companies and governments that are accountable and cooperate.

All of this constitutes a vicious circle that needs to be broken, as situations like the one we are experiencing in these times show us. When it comes to ethical finance, we must continue to **assume that duty of leadership**, for which we have the legitimacy that comes from our ability to create conditions of greater justice in the social space we inhabit. Our value as an agent of transformation, even in situations as adverse as the current one, will continue to depend on our showing that this capacity remains intact.

## **"Emergency situations highlight the underlying values of the SSE projects", Jordi Via, cooperative member, promoter of the SSE in Catalonia.**

**Interview with Jordi Via, collaborating partner and former worker partner of the Arç ethical and solidarity insurance cooperative, involved in the Federation of Work Cooperatives of Catalonia, in the launch of the Catalan Solidarity Economy Network (XES) since the participation in the World Social Forum in 2001 and 2003. He was part of the process of constitution of the cooperative group ECOS and was commissioner of SSE in Barcelona between 2015 and 2017.**

Linked to the social and solidarity economy (SSE) in Catalonia for the last 40 years, he has made cooperativism a "life option" from the conviction that it has a socio-economic transforming potential.

**From your long career, how would you analyze the current moment and the impact of the crisis on the SSE and its environment?**

I think that in order to approach this economic crisis derived from the one caused by COVID-19, we must first clarify that the health crisis highlights a systemic ecological and environmental crisis. If we are clear about this, we have to consider the SSE as one of the legs that can help to build an alternative at the socio-economic level. With the contributions of the SSE as a model in relation to the exercise of economic democracy, self-management and the necessary social and economic responsibility of the products it offers, we can see that the SSE is part of the solution.

At a specific level, the effects that are most related to the continuity of the activity of the SSE companies are, on the one hand, the decrease in sales, which makes it difficult to sustain the company in terms of costs. On the other hand, insufficient capitalization. There are entities that have little financial availability, and that makes it difficult for them to manage this crisis transition that this moment entails.

**What responses to short and medium term difficulties have emerged from the SSE?**

I have observed response movements of two types: the impulse of inter-cooperation projects and in campaigns to have resources in the short term.

We have found intercooperation projects above all in the world of agroecology, associated with promoting a coordinated intervention to achieve direct sale of products and thus improving consumer networks; also between companies and entities that offer products and services that have made payment methods more flexible, extended contracts, etc. to the customer base.

When it comes to fundraising campaigns, there are differences too. There are some that sought and seek to obtain immediate liquid availability to support SSE initiatives that have emerged to give a specific response to the moment of health crisis, readjusting or reconverting their activity (in the manufacture and distribution of masks and personal protective equipment -EPIs-, for example). One of these campaigns has been the first phase of the Fons Cooperatiu (Cooperative Fund), or agreements such as Coop57 and the Seira Foundation, aimed at providing financial resources.

There are other campaigns, as in the case of the second phase of the Fons Cooperatiu, which are aimed at creating conditions that improve the economic and financial structure in the medium and long term. This is in full development (ends in October), and seeks to give complementary aid to companies and entities that take actions to better capitalize on their project. I have cited just a few of the initiatives, but there have been more.

### **What would you highlight of all of them?**

The crisis situation has made evident the importance of inter-cooperation for the development of the activity of the SSE entities; It has also activated inter-cooperation tools between companies and clients and has set up mutual support in financial matters.

This type of reaction to the crisis is explained by the very nature of the SSE: a project in this area cannot be dissociated from its social and ecological commitments.

### **Has an assessment of the effects of these responses been made?**

There is no integrated data yet, because in fact we are in the middle of everything. But continuing with the example of the Fons cooperatiu, there have been 400 different contributions, which seems qualitatively very positive.

It also seems positive to me that the set of measures that were presented to the working group of the Generalitat government has a specific part to support "an economy for life" - it shows the influence that the SSE has had at this time - if this is not absorbed and used by companies or entities of the conventional economy to clean up their image and sell more.

Something that we can confirm and it is objective is that in the companies of the SSE there have been fewer files of Temporary Employment Regulation (ERTEs) than in the capitalist companies. And this shows, once again, that despite all the problems they have, the companies of the social and solidarity economy are more resilient than the conventional ones.

Something similar has happened with systemic banks and ethical finance: the resilience of ethical finance has allowed many projects to survive.

Emergency situations highlight the underlying values of the projects. For example, in Ethical Finance, to the extent that it has certain values and that it manages them honestly, we can see that they are much more useful than the conventional financial system in emergency and transformation situations. This shows the importance of having ethical finance actors actively and involved within the SSE sector.

### **Taking a leap forward, how do you foresee the next few months and how is SSE preparing for them?**

The Manifesto [Pact for an economy for life](#) was born, which starts from a critical diagnosis - what is happening is a systemic crisis - and points out the need to create conditions for the structural transformation of the socioeconomic model to get out of it. I share the content of this manifesto: it would be worth nothing to go back to what it was and the idea of returning to normality is a mistake, since normality largely explains the crisis we are suffering, and we must move in another direction. In the sense of the values that define the SSE, and that these are put into practice at work, in consumption, in the use of money, ... with criteria of integral sustainability, so that the center of this circuit, of the economy, be the people.

This dimension that seems more theoretical, already has a practical dimension, during this crisis it has been clearly seen. We have to continue working on this path, and also trying to establish alliances from the SSE with other sectors of society, such as socially responsible small and medium-sized companies, or social movements that consider that things must be done differently.

**A challenge...**

My 40 years of involvement in cooperativism have helped me overcome that feeling that all this we propose is a dream, and in all this time we have been advancing and concretizing to make this dream possible.

At the moment I am sure that things cannot continue as before, I am also sure that we have arguments and a cooperative reality from the point of view of work and responsible consumption, or ethical finance, much stronger than four decades ago. And that there are conditions (without naivety because what we do is apply and develop values of a counter-hegemonic nature), not only to make a theoretical but also a practical proposal, of a different economy.

# Banca Etica y Fiare Banca Etica, Italia y España

**As the crisis related to the coronavirus pandemic worsens, Banca Etica has taken steps to provide concrete responses to different categories of stakeholders, from workers and customers to suppliers and leading partner entities.**

It is a time of great uncertainty, and despite this, we are trying to collectively achieve, with professionalism, prudence and passion, the goal of facing this challenge collectively, in a proactive and resilient way and linked to the community.

Never in 20 years has the entity had to close branches to the public or reduce the level of service so drastically. For this reason, it is a challenging crisis, which, according to what Banca Etica tells us, prompts us to continue taking measures in the coming months and which requires being prepared to respond to the financial, cultural, social and relationship needs that this pandemic puts ahead.

## **The answers**

As the crisis situation evolves, the bank has taken measures to guarantee the opening of branches with all the necessary security measures for all the people who "inhabit" the spaces of the entity.

On the other hand, the members, clients and the different entities of the Banca Etica Group have been involved to maintain an adequate level of service. Together with the Produzioni dal Basso platform and with the contribution of Etica SGR and the Assimoco Group, Banca Etica has developed a set of virtual meetings to share and learn: "We Activate Positive Energies". In the first three weeks, the program reached 40,000 visits, 18 hours of webinar, 24 speakers involved, 3,900 participants, 6,000 newsletter subscribers, and 5,300 podcast downloads.

Banca Etica has also implemented online mechanisms to facilitate the request for suspension of installment payments for companies and organizations on its own initiative, regardless of government measures. Through these mechanisms, it has activated the granting of credits for the payment of salaries and advance taxes, to facilitate access to

the Guarantee of the SME Fund, for micro mortgages of up to 25,000 euros, and for a new liquidity line under advantageous conditions.

By integrating the provisions of the legislation, Banca Etica offers clients with a mortgage or personal loan the possibility of requesting the suspension of payments for 6 months, providing only a certificate in relation to their state of difficulty. Clients and members can also request a personal loan directly from the Internet banking and have the required amount available in a few days.

According to the entity, from the beginning, Banca Etica focused on providing support to its reference network, paying special attention to the labor integration of people in fragile situations (for example, social cooperative companies and workers buy-outs).

Banca Etica's offer is also characterized by non-banking services consistent with its mission: ethical funds, insurance, pension funds or mutual health plans. The Banca Etica Group has also incorporated responses to the new situation.

Etica SGR has activated consulting services to monitor clients' choices in this phase. In the insurance part, it has added several products such as the voluntary Multirisk, with specific coverage linked to Covid-19 for volunteers of the contracting organization. At the beginning of 2020, the entity launched the new ETICAPRO together with CAES, an insurance project for the third sector that has now been reinforced by incorporating coverage of expenses related to Covid-19.

On the other hand, Banca Etica decided to hold the Members' Assembly on May 16, making it the first completely online, improving the digital tools that had already been in use for years.

Prior to the assembly, the entity indicates that it worked very intensely to favor the participation of the social base through: a dedicated editorial plan that has included a set of videos, a series of meetings via videoconference to discuss the different aspects of life of the cooperative and to meet the candidates for the ethics committee.

Banca Etica has implemented SOSpesa: an initiative halfway between donation and online shopping to support its partner entities. "With specific dissemination actions" they indicate from the communication department "we will promote the possibility of buying and paying in advance for some products that, for reasons related to the restrictions currently in force, are not immediately available".

«Members at home: distant but close», an initiative to cancel the distances and continue to weave the network of relationships between the people and the member organizations of Banca Etica, has also gained strength: "it is a small virtual square where they can meet, be well together and maybe learn something new, each partner can put their skills at the disposal of others, which translates into meetings with an updated calendar on [www.sociinrete.it](http://www.sociinrete.it) "

## **In Spain**

In times of pandemic, the branch in Spain, Fiare Banca Etica, granted more than 16 million euros in the Spain, eight of which to service entities for the most vulnerable people, and in just two months. These supported entities that on many occasions create employment and generate materials and essential products that are sold in the common market. From the management in Spain, they emphasize that this has required a great effort from the group of workers of the bank. To accompany this effort and make its clients participate, Fiare Banca Etica has launched a new deposit, called Social Inclusion, which allows clients to direct their long-term savings towards this sector.

To facilitate access to financing, Fiare Banca Etica has incorporated guarantee lines with the ICO, FEI-EASi, with the Basque Government, they have lowered the prices of the prepayment lines and have widely applied a moratorium plan for all credit customers who needed it.

From the bank they point out that all this activity is being done practically at cost price and without adding unwanted services to the client, a practice that has been common especially at the beginning of the crisis by the rest of the financial institutions.

Fiare Banca Etica also announces that through its Ethical Finance Foundation it is about to launch the Mutual Fund La Colmena. A solidarity fund in which people can combine donations and purchases to promote 20 solidarity economy projects throughout the country. 20 projects, most of them in rural areas or sectors more exposed to the crisis and from which positive energies also emanate that make visible the true new reality that we all want.

## Bank of Karditsa, Greece

**Supporting homes and companies during the covid-19 pandemic has been the priority of this Greek entity, a member of FEBEA, who see in this crisis an opportunity to position ethical finance.**

The world is witnessing a huge and synchronised crisis. Especially for the banking industry, the COVID-19 pandemic could be the most serious challenge in modern history.

The pandemic caught the world by surprise and Greece couldn't be an exception. International lockdown and the effective suspension of civic and commercial activity across entire countries have thrust up a mirror **on how our economic, social and political systems operate.**

At the dawn of 2020 no one could imagine that three months later the humanity would have to deal with a situation where economic activity would pause and people would have to stay home in order to stay healthy. **The lockdown and large-scale restrictive public health measures changed everyday life in many ways.**

The unprecedented shock to the economy, caused by the coronavirus (Covid-19), has dealt many blows to the Greek banking sector. Banks will miss out the opportunity for a good year. In 2020, a significant acceleration of economic growth was expected. Additionally, the coronavirus crisis is forcing banks to postpone ambitious plans to drastically reduce non-performing loans, until markets settle down and the effects on the economy can be seen. This is perhaps the biggest blow to the industry as it has been cast into a state of increased uncertainty.

Like all other banks in Greece and internationally, we had to act decisively and **find solutions** to our clients' needs. We also had to cope with the difficult task of **maintaining operations** in times of extreme crisis, with most staff members working from home, while also securing **healthy working conditions** that protect employees on the front line and the broader public.

### **Protect and support**

One of the main challenges for the country was to **support the elderly**, especially those who are not yet familiar with the digital transactions' universe. At the same time, we had to act proactively to reduce flows to spaces of interaction. As soon as the pandemic was declared, we urged our customers to use alternative digital channels (internet and mobile banking) to carry out their transactions, without having to visit our branches. We also urged them to opt for contactless payments with their credit and debit cards to limit handling of cash. In this context and in full coordination with the Hellenic Bank Association, the contactless payments limit was raised to 50 euros, from 25 euros, until September 30, 2020.

Another task – that is still challenging - was to **support alternative web and phone banking networks** to back the large increase in online transactions and postpone significant investments in technological infrastructure that were aimed at radically upgrading infrastructure based on new digital demands.

Our goal is to protect and cater our customers and staff, so we have taken all necessary measures to ensure their safety. With the aim to take immediate and responsible action to address the spread of coronavirus, we have taken a series of measures that will help make our customers' day-to-day life easier and enhance the customer service experience.

Where the banking industry cannot be criticized during this crisis is over how it has managed its employees. Our first priority has been about taking care of our employees and making sure they are safe and healthy. The first actions we took were making sure everyone could keep a physical distance from one another, putting plexiglass frames to keep the tellers safe and distributing masks to all staff members that needed them.

### **Borrowers**

To support borrowers, we decided to **suspend loan payments (capital or interest) for all enterprises and individuals hit by the covid-19 crisis**. On July 7, 2020, we agreed to extend the measures taken to support enterprises and individuals hit directly and indirectly by the pandemic crisis and **the moratorium on debt payments** until December 31, 2020.

Moreover, since the lockdown and due to covid-19 pandemic, Bank of Karditsa has been supporting its customers in all possible ways and offering financial relief by slashing to zero the e-banking transaction fees. Within the framework of our corporate social responsibility and customer-centric policy we decided **all transactions regarding e-payments and money transfers to be free of any charge**, in order to facilitate the public's day-to-day operations.

### **Businesses**

Another aspect of the problem concerns the vast majority of businesses, which have seen their turnover plummet due to the lockdown and the complete cessation of economic activity. In cooperation with the competent ministries and state authorities, we participate in **guarantee programs to support businesses through the State Guarantee Fund**. The Fund operates under the umbrella of the Hellenic Development Bank. The working capital will be financed on favorable terms and with reduced collateral.

The credit issued will be new loans as, according to the contract model shared with the banks, the refinancing of existing loans is clearly forbidden in this case. The duration of the loans will be five years, including a grace period of 12 months. Access to credit will be granted to all categories of enterprises, from the small and very small to the medium-sized and large, regardless of whether they belong to the Activity Code Numbers (KAD) ruled to have been affected by the pandemic according to the Finance Ministry. Bank of Karditsa is amongst the banks that the interested parties can apply to.

Small and medium-sized enterprises (SMEs) in Greece will benefit from better access to finance in the shadow of the covid-19 pandemic, thanks to loans provided by the Greek banking system for on-lending to private businesses.

### **Final take**

The closest allies to these efforts have been the Bank of Greece and the European institutions. Due to the exceptionally difficult conditions, the European Central Bank has fully shielded the banking

system in terms of liquidity, bad loan and capital adequacy, while the European Commission has suspended a series of regulations to prevent any state aid from triggering consequences for shareholders, depositors etc, which would have been the case under normal circumstances.

All these measures brought positive results and we are very proud that we contributed to the country's efforts to manage the covid-19 crisis in an exemplary manner. Greece's success in containing the pandemic enabled it to **lift lockdown measures from May 2020** and enjoy the fastest recovery in mobility thus far among EU countries. We hope and believe the rebound of the Greek economy will be V-shaped, and that the **sharp decline in GDP in the second quarter will be followed by a strong recovery as of the fourth quarter of 2020**, restoring economies and markets to normal.

From now on, we must focus on implementing the appropriate bank business model in the post-covid-19 world. **The pandemic will leave behind large-scale insolvencies among firms and a wave of bankruptcies among households.** Moreover, it will likely accelerate the digitization and the shift over the medium term of activities from the sector.

In Bank of Karditsa we believe that in the post covid-19 era we have a formidable **chance to show the world that responsible and ethical banking it is not a vague idea and it can be much more than a slogan.** We have the will, the strength and the vision to make responsible and ethical banking the new norm.

## Hefboom, Belgium

**Hefboom (which means “lever” in Dutch) is an ethical cooperative financial institution in Flanders and Brussels, Belgium, and is a member of FEBEA. It has approximately 1,250 shareholders, of which approximately 80% are individuals and 20% are civil society organizations.**

**They have made progress in the face of the crisis, adapting to the measures approved by the federal and regional governments and in turn pressing for more entities of the social economy to benefit.**

Ethical Finance plays a major role in supporting the communities in which it operates, and even more during times of crises. Ethical finance works side by side with social economy organisations to foster social and economic inclusion: in the current context this collaboration is even stronger, to provide assistance to the most disadvantaged groups and offer measures to mitigate the social and economic impacts of the crisis.

As an impact investor since 35 years we finance initiatives, projects and organizations with focus on realising social and durable change. We finance social and cultural entrepreneurs. We also grant microcredits. Research tells us that every microcredit granted results in 1,5 people at work. We only grant microcredit to those entrepreneurs excluded from regular bank financing. So these are very vulnerable entrepreneurs for whom a microcredit often pulls them out of poverty. This is what we do and should not stop doing, even in these difficult times.

Most of our clients are generally organizations or entrepreneurs with very little cash buffer and financially vulnerable. The crisis we are facing today will **end up in bankruptcy for more entrepreneurs we are used to in a normal economic situation.**

Hefboom has adopted immediate measures to help its clients facing liquidity and economic issues. Today approximately 10% of our social economy and cultural sector clients, have submitted a request to postpone their loan repayment. For our microcredit activity it's about 30%. We expect it to grow to 40-50% depending within the coming weeks/months once most of our clients restart their business again and have a clear view on the financial situation.

Hefboom started with a maximum of 6-month (or until the 30th of September) **capital grace period for our social economy, cultural sector and microcredit clients.** Only for clients who asked for it. Interests were not postponed. It's aligned with the measures taking by the Belgian banks towards professional clients. It's based on an agreement between our Belgian (federal) government and banks.

In Flanders (regional) there's a general measure to grant bridge loans to enterprises and organizations to bridge the COVID-19 crisis. Especially **vulnerable social, cultural and micro-organizations will not be able to get these bridge loans**, because one of the conditions is that the organizations should be financially healthy and creditworthy before the crisis. **Hefboom is lobbying**

**with the regional government (Flanders) and Europe** via the EIF to come up with measures also accessible for these financially vulnerable entrepreneurs.

**These alliances are necessary to make the risk bearable** for an ethical financial institution such as Hefboom. Our existing credit portfolio will be subject to higher risks due to this crisis. We also need to help bridge the crisis for our clients to mitigate financial and social consequences, so the risk will become even higher.

We achieved some first results. Hefboom got financial support from the minister of culture to grant interest-free grace period for 6 months for our cultural sector clients. Besides that, we developed an easy accessible and interest-free loan to grant to individual artist and organizations within the cultural sector. Together with Febea and our Belgian colleague Crédal we negotiated with the EIF better conditions and less severe criteria to apply the EaSI Guarantee Facility for social entrepreneurs. This financial guarantee facility makes it possible for us to grant credit to more vulnerable entrepreneurs. We believe there's also big change we will achieve an agreement with our local government on credit measure for social entrepreneurs. On the microcredit site, until now we get no response at all.

# La Nef, France

**At the end of the total confinement of the French population, La Nef, an ethical banking cooperative created in 1988, has prepared an initial assessment of the impact of the Covid-19 crisis on the economic activity in general and on its banking activity, which brings together more than 2,500 social enterprises and almost 60,000 individual clients.**

Beyond the analysis of the crisis, as a banking organization committed to the ecological and social transition since its creation, La Nef also wishes to project itself now in a new model of economic and social reconstruction for France, placing respect for people and the environment at the heart of this movement.

## The crisis in France

A first macroeconomic assessment can be made of the crisis that we are experiencing in France, five weeks after the end of the confinement.

The Covid-19 crisis has had a great impact on France, both in terms of health (the fourth most affected European country in terms of death after the United Kingdom, Italy and Spain) and in terms of the economy. **French GDP decreased by 20%** in the second quarter (after a first drop of 5.8% in the first quarter) (source INSEE). The most severe recession since the creation of the French national accounts in 1948.

However, economic activity recorded a strong rebound in May and June, after partial misconfiguration, even if economic activity in June could still be around 14% below normal (after -25% on average in May and -35% on average in April).

Almost all economic sectors have been affected, but it is in **industry, construction and local companies** where the crisis has had the greatest impact. Tens of thousands of companies in these sectors have resorted to partial unemployment or simply been asked to stay closed for more than two months to prevent the spread of the virus.

Regarding household **consumption**, the Covid crisis had a very strong impact (consumption loss of 32% in April), but it got off to a good start in May (there was a 6% delay during the period), showing a quick restart of activity.

We can conclude that **the worst is over**, but that France will not recover its level of economic activity before the crisis until September 2020. Whatever the expected scenario, France should enter a recession in 2020.

**The French banking sector** had a particularly sustained activity during the crisis, particularly with regard to activities related to companies and professionals. In fact, banks have been asked to limit as much as possible the bankruptcies of companies that are in difficulty due to closure. This has led to measures, driven by the government and backed by public guarantee mechanisms (including

the guarantee of the Public Investment Bank), such as postponement of loan maturities or cash support for companies most affected by closures or partial unemployment.

### **La Nef's proposal**

La Nef has been particularly active in this area, processing a large number of **maturity extension** requests (generally 3-6 months) from more than 550 borrowers, representing almost **a quarter of its loan portfolio**. It is worth noting that almost all requests made by borrowers were accepted by La Nef, giving companies a great breath of fresh air.

To date, La Nef has **not registered any bankruptcy** of its borrowers due to the Covid crisis, which suggests that these measures, taken urgently, have paid off ... **but the economic and social crisis will continue.**

The strategy for the future aims to be **as close as possible to our borrowers** to implement, as soon as necessary, measures to adapt the loan terms, as well as cash transfers where possible.

At the same time, negotiations have begun with the European Investment Fund - EIF - (which since 2015 has guaranteed a large part of La Nef's loan portfolio) to establish exceptional measures that allow us to continue lending to social enterprises during the crisis. And thus support the recovery of the economy while limiting our own counter-party risks. These negotiations are expected to bear fruit in June so that we can roll them out as soon as possible.

This system of exceptional measures, in discussion with the EIF, is also being carried out to other ethical banks in Europe that work daily with this body. Therefore, expectations are high in this regard.

Finally, **an emergency plan called "rebond" (rebound) has been launched** that aims to **complement** the economic measures taken to support our companies with levers other than credit activity (*crowdfunding*, calls to come and consume in Nef's portfolio businesses, etc.) and think about the world to come by creating a *think tank* or group of experts.

In terms of **savings and growth** in the personal market in general, La Nef registered its **best months** (the absolute record in the collection of savings was broken precisely in March 2020).

### **What was learned from the crisis**

"We believe that the closure, and especially the highlighting of the flaws in our model of society and consumption, has led many French men and women to **become aware of the impact of banks on ecology and society in general**. La Nef is gradually becoming the benchmark banking alternative for all those who aspire to make sense of their money. This very favorable response gives us great hope because we see a strong maturity on the part of the French population in matters of ecology, respect for people and culture and this gives us an equally great responsibility, that of using this money to build the world of tomorrow.

We were convinced that an ecological and social revolution was necessary in France and in the world long before this crisis, and this is the goal of our banking project, which mobilizes more and more women and men. Our vision of this crisis is a reinforced feeling that **the vision of society that**

**we have is the right one.** The relocation of the economy, the urgency of **slowing down consumption**, limiting the impact of economic activities on our environment, the deployment of soft transport, supporting the poorest through integration, **social housing** or the strengthening of **public services** They are all issues that we will have to address collectively, and that La Nef will continue to support as a priority, as it has for years.

We are hopeful that this crisis has been the trigger for a **collective awareness moment on the need to build a new world** and we are still waiting for our government, and economic actors, to take the necessary decisions now to accelerate the **ecological and social transition** of our country.

La Nef, for its part, will continue to demonstrate that this path is not only desirable, but possible, led by the citizens who build it every day.

## TISE, Poland

**Account of the crisis that is just beginning, from TISE (Société d'Investissements Socio-Economiques), member of FEBEA in Poland.**

In Poland, the shutdown began on March 12, 2020, when schools, preschools, restaurants and cafeterias closed, and most companies, including TISE, switched to teleworking.

Starting on the 13th, beneficiaries began to approach us asking about the possibility of obtaining a suspension of payments, a reduction in interest rates, or a deferred refund.

However, the first call came from the head of the PANATO social cooperative in Wrocław and it was a **request for a loan**, essential to fulfil the order for a **gigantic quantity of fabric masks for hospitals**. We have known the cooperative for years. It is our client and we have used its services on several occasions (it is a “trendy” sewing cooperative specialized in the production of fashion bags and advertising material). The market for this type of product, with the cancellation of all corporate events, was disappearing and a **quick conversion** was needed.

Our Wrocław customer **anticipated this risk** brilliantly, quickly and efficiently by changing his manufacturing schedule and opening a new production line. Of course, we gave it a loan (after a quick analysis but without neglecting any security check) and after a few dozen hours, the money was available in its account.

A few days later, the Chegus protected work cooperative contacted us to request **a loan for the purchase of a disinfection machine**, which allowed them to offer disinfection services for the interior of stores. In the months that followed, many hair and beauty salons turned to this cooperative when they reopened, as did restaurants and coffee shops.

Later, we also granted a loan to the Olsztyn Dental Work Cooperative, **the only dental clinic that did not suspend its activities** and, in compliance with sanitary guidelines, undertook the task of providing dental care to the inhabitants of this great city of about 200,000 people in northern Poland.

These three fantastic examples of the efficiency, responsiveness and imagination of social economy entities cannot however deny the economic reality of this sadly much darker period.

### **Responses to the situation in Poland**

During the first weeks of confinement, many of our clients (micro, small and medium-sized companies, but also social economy entities) told us about **their difficulties and their inability to pay the loans contracted** with TISE. This did not surprise us: our clients are often operators of restaurants, nurseries, services for the young and old, and public services (hairdressing and beauty salons).

Most of the loans granted by TISE (in the sectors of SMEs and operators of the social economy) come from **EU funds and other public sources**. As a result, the decision to change the granting and repayment terms was not directly up to us, but rather to the authorities that supervised the loan financing programs. Fortunately, these decisions were made relatively quickly (in a period of no more than a month), and from TISE we have accompanied and supported our clients during this period. Wherever possible, **we have postponed loan repayment periods or extended the grace period**.

After a month, when the public authorities made official decisions, we were also able to **lower interest rates**, offer a few months of **deferred repayment**, and **remove additional restrictions**. About 15% of our borrowers have benefited from it.

Clients also applied for **new loans**, on preferential terms, to improve their liquidity. Many of them had to deal with bills to pay, taxes and social contributions that had to be paid when due. Some have not been able to pay employee wages.

### **Government measures**

This is where **public authorities came to the rescue of companies**, implementing relatively effectively (even if the testimonies of employers are highly nuanced on this issue), tax cuts and paying private activity employees a modest partial unemployment benefit.

These two measures were introduced by the law called "shield against the crisis" (in total there were four shield laws that have followed one another during the crisis) during a period of three months, ended in June 2020.

As part of this program, the government also bailed out loan companies to allow them to finance current account loans at zero or near to zero interest rates. Since the beginning of May, TISE offered this type of loans to entities of the social economy, and a little later also to micro and small enterprises in certain regions of Poland, as the government organized calls for applications for the distribution of funds and TISE won them in some provinces.

### **Next steps**

How will the situation evolve now? Nobody knows. As a loan company, we see a 40% decrease (compared to the previous year) in the number of loans made in the last three months.

TISE participates in debates on support for the social economy, as an active member of the Permanent Conference on the Social Economy, and is aware of the growing uncertainty.

In May, the first attempts were made to "unfreeze" the economy. Hair and beauty salons have been partially reopened (with health restrictions limiting the number of clients). Since July, employers (even if they have not recovered their cruising speed) have to resume paying social contributions and **can no longer count on partial unemployment measures**. In the fall (after 6 months of suspension), we will again have to deal with the repayment of loans and credits. **Only then can we understand the impact of the coronavirus on the situation of our customers.**

## VANCITY, Canada

One third of Canada's population is “affiliated” with a Credit Union, also known as Cajas Populares, which are ethical finance entities, much like the ones we know in Europe. Vancity is one of them, and has put people at the center, both clients and workers.

### Internal answers

Vancity, an entity that is a member of the Global Alliance for Banking on Values (GABV), has initiated several programs to support its 543,000 members in British Columbia, Canada, and their workers. A telework program has been established for those who do not work in the branches for the public. The shift to working from home, they explain, "requires that managers and team members take steps to ensure that they are all engaged, connected, productive, and capable of delivering business results, including providing services to our members."

To facilitate the transition to this new way of working, the entity has published a book, *Work from Home*, which includes tips for **working remotely, learning resources, recommendations to take care of mental health and increase information security**, among others.

And for those who are working in the branches serving clients, in addition to all the cleaning and disinfection measures, a shift system has been developed that will provide "the comfort and relief they need while working in a public environment." **Working people have one week of paid leave every two weeks of work.** They have also opened a site on their intranet “to serve as a reliable source of current news, policies and support”, enabled a **free service with online mental and physical health professionals**, and an economic allocation to be able to adapt the home to the conversion into a “temporary office”.

### External measures

Relieving pressure on both individual and business members affected by the economic effects of COVID-19 has been at the heart of Vancity's approach. They have done it with various measures. First, a six-month **loan deferral program and 0% credit card interest rates**, something that has been very common in entities in the Ethical Finance sector. This

includes mortgages and other loans and will help members facing financial uncertainty and vulnerability from the consequences of the coronavirus.

Other support for Vancity members facing financial difficulties has been providing them with **emergency working capital, being able to buy back foreign currency at the original exchange rate** of members affected by travel restrictions, and waiving fees, in effect in Canada until September 30th.

For businesses, Vancity is processing applications and **depositing aid funds for the federal government's trade credit availability programs**, including the Canada Business Emergency Account (CEBA), the EDC (Export Development Canada) Guarantee, BCAP (Free Availability Program of Commercial Credit), for exports from the North American country, and the BDC Loan Program (Business Development Canada) BCAP, to promote affected businesses. In addition, it has created two new categories of loans:

1) the Unity Pivot business loan for small businesses that have changed course to specifically support the COVID-19 response, or that have had to adapt to the changed environmental environment.

2) the Unity Bridge Loan for the self-employed who do not qualify for the Canada Business Emergency Account (CEBA).

### **Keep building community**

For Communities, Vancity launched a **Community Response Fund** with partners to support front-line organizations serving the most vulnerable. The next step was the creation of the Unity Term Deposit, a new investment product that gives members a safe way to invest their money, while putting them to work in the community **supporting individuals, small businesses and nonprofit organizations most affected by the social and economic consequences of COVID-19.**

Ethical finance wouldn't exist without that community, and therefore, at a symbolic level, this Vancouver-based Credit Union has partnered with the city's Festival of Murals to beautify neighborhoods and support collective resistance by creating more than 40 murals in shop windows.

# Crowdfunding and solidarity campaigns to leave no one behind

***Crowdfunding* is a socially extended tool. Faced with the current crisis, ethical finance and social economy entities put it at the service of the most vulnerable projects.**

Fundraising campaigns, common funds, resistance funds ... the cooperative, alternative economy, which promotes and supports social, grassroots, transforming projects, has historically used tools that provide these projects with collective resources to finance themselves or on which to lean when there are difficulties.

## **Mutual support**

*Crowdfunding* (or collective financing) is one of these processes, well known and already included in daily life, also thanks to the digitalisation and social networks. [Goteo.org](https://www.goteo.org) is a foundation based in Barcelona that has been active for years: it is a web platform, showcasing several projects - which meet ecological, social and democratic criteria. It allows citizens to contribute, in exchange for a reward proposed by the same projects, an amount of money until reaching a minimum objective, in a limited period of time.

From something that was and is useful in certain types of initiatives, as a small initial push, or as something that allows to carry out a specific idea, the current moment has made it something much simpler: something necessary not to close. This is exactly the situation that the pandemic, the confinement, the economic stoppage in some - most - of sectors have caused for many organizations and micro-enterprises, which have seen their activity reduced, putting their survival at risk.

Ethical finance entities and the social economy have started to think about this and activated crowdfunding-type campaigns as a way to have immediate financial means for the most affected initiatives. This has been done, in parallel with all the measures to make loans more flexible, moratoriums or postponements of return of capital,... which have somewhat relieved the pressure on the beneficiaries.

## **Adapting crowdfunding**

Thus, crowdfunding, as collective financial support (and in most cases anonymous), has been one of the responses to this new economic crisis that has exposed many projects. And it has taken many forms.

An example outside Spain is the one promoted by GfG (Genossenschaft für Gemeinwohl, Cooperative for the Common Good) in Austria. It is a platform that "deals with monetary and financial matters for individuals and organizations aligned with the common good", and among other things, they have a crowdfunding platform. In view of the situation, in April the platform was put at the service of its members and clients more vulnerable, through the campaign "Corona Emergency Aid for Members." This is how they explain it: "We use our tool to collect donations from members and non-members. At the same time, we invite our partners to send a request for financial assistance between € 100 and € 1,000 in case of problems due to the COVID-19 crisis".

When the names and projects had been collected, they were discussed at the cooperative board (this was done to speed up the process, promoting confidence in the board members, and the usual fees for this task were waived to ensure that the 100% of the money reached the beneficiaries) and on April 24, 18 members, all those who had submitted the application, received € 12,200 in total. As more than € 20,000 had been donated by then, they started a second round in May (9 members, € 8,470 in total), a third round will be launched in autumn 2020.

The Goteo foundation did something very similar. Parallel to its usual campaigns, it created the #CoronaZero channel, making its crowdfunding and crowdsourcing platform "available to initiatives aimed at facing the crisis caused by Covid-19", to those projects that wanted to promote themselves to help or soften the situation before the crisis. And it did it at a 0% commission, that is, without any benefit for the entity, in order to allocate all of the contributions to the projects.

Now, with the channel already closed, they made a quantitative assessment, with a total collection of € 249,416 made by 2,752 unique donors, thanks to which 23 projects have been supported. Projects such as the manufacture of masks, emergency funds for workers in the hotel industry or the rent strike, community and local networks to acquire basic goods, among others.

## **Other proposals**

In addition to the entities that work in this area, there are many others that, despite not having crowdfunding platforms or mechanisms available, have mobilized to carry out a similar task.

This is the case of the Fundación Finanzas Éticas, which is starting a solidarity campaign through an account to support different initiatives of the social economy, partners and clients (former or future) of Fiare Banca Etica, appealing to mutual support and solidarity. The idea is that "those who have been able to go through this moment without being greatly affected economically", because they have not seen their income reduced or have

had not to face extraordinary expenses, support the reactivation and reconversion of solidarity economy projects that have suffered.

The projects that are going to receive this non-refundable contribution, at the moment 20, are autonomous, small companies and micro-entities from productive sectors such as agroecology, education, culture, sustainable tourism and social inclusion initiatives, which already had taken advantage of measures to alleviate the return of their debt. With this additional impulse they could get ahead without being so affected. In addition, those who make their contribution may convert part of that income into a discount voucher in any of the services or products that the beneficiary projects offer.

This model is the one previously used by the financial cooperative Coop57, present in different territories of the Spanish state, with its Gazpacho Gitano campaign, focused on obtaining 35,000 euros "to support the construction of a community industrial kitchen for the gypsy association Vencedores del Polígono Sur of Sevilla". The collection process ended on July 20, and by that date they had more than achieved the figure, coming from 422 donations.

With this project, the beneficiary community, far from receiving financial aid that only solves the emergency situation, this association will be able to continue with its work of collective construction that guarantees access to a "dignified and healthy" diet and advance in the creation of a catering to provide services in different areas, that will provide them with economic autonomy. They have bet out of the current crisis by growing in self-management.

### **Common denominator: solidarity and mutual support**

These initiatives have shown that although the crisis situation is generalized, at times like these, networks - whether community, cooperative, or created as a result of a difficulty - become strong. In the field of ethical finance and Social economy this is clearly reflected in the speed of raising a response and the success of these fundraising campaigns to support those who have been most exposed.

On the one hand from the transforming economies (with the differences and diversities according to the territorial reality), money is conceived as a means to be able to promote and keep active the projects and the people behind them. As explained in GfG, "money must serve people and go from being a goal in itself to being a means". And so have seen the entities and people who have supported financially.

On the other hand, one of the basic values of the social economy and ethical finance is solidarity and mutual support, so to continue building alternatives to the system. Launch this type of collective action now, even if it is in the long term, is with it: "Faced with the

current situation of COVID-19 and the economic crisis induced by it, we see the opportunity to impose a systemic change", they predict in GfG, since "People now know that many things can change in a very short period of time."

# Support for micro and social enterprises: more than financing

**Social enterprises and small projects are the most vulnerable to systemic crises. Ethical finance entities, in most cases, are their funders and accompany their creation and development processes. They are betting on these entities as the engine of change, and now they are working to help them sustain themselves.**

All indicators point out that the coronavirus, the state of alarm and the confinement are leading the Eurozone and the world into an **"unprecedented" recession**. According to the estimates of the European Commission (EC), the European Gross Domestic Product (GDP) will fall by 1.4% in 2020. And although the situation will most likely improve next year - depending on the measures applied to curb the effects of the crisis and how the virus evolves-, there will be consequences for those who cannot bear this blow, which has been rapid and forceful, especially those who were already more fragile at the starting point.

And this applies at the country level - if the framework is set in Europe, those in the south that had a greater external debt, or higher unemployment rates, will be the ones that will have the most difficulties to overcome. But this is true also for the economic fabric, in which the smallest companies with less capital - among which the ones of the social economy - are those that have suffered the most with the cessation of economic activity (both in the productive sector and in the consumption and services) and / or with the additional costs that it has entailed.

In the months of March to May, the majority of EU governments implemented various measures to protect companies, as well as extraordinary support for unemployment. Even so, not everything was covered, or it was done for a very short period, since after the first moment of emergency the consequences continue to affect many people and initiatives. In this sense, financial entities work with entrepreneurs of micro and small companies have put many efforts in accompanying them so that they can survive, adapt to the situation, or mitigate its effects.

## The trend in small businesses

France Active is a French association that promotes the “commitment of companies to the social, environmental and economic development of their region”, work that is carried out with some “8,000 entrepreneurs a year”, through a local network of investors and different financing lines. From their entity, they have been able to assess after this first moment of tension that among their clients, **"the most fragile companies -which do not have capital and that already had problems before the crisis- are the ones that suffer the**

**most**" while the strongest "are cushioning the blow trying to do everything possible to overcome it".

Despite this finding of something that seems more obvious, they comment that still "there is not enough data available to analyze the situation objectively, given the short period of time since everything began, and that most of the consequences of the crisis are not so obvious yet". We have to wait to be able to do a more exhaustive analysis.

From France Active they say that some sectors are also suffering more than others, such as: tourism, restaurant services, events, sports ...

In the Azores islands (Autonomous Region of the Azores) in Portugal, an area with a lot of tourist appeal, that together with agriculture and fishing are the main sources of income in the area, they agree that these are the most affected sectors. "The measures for the restriction of mobility have had a direct consequence on traditional hotel establishments, local accommodations, and other establishments of this type, in the area of restaurants, tourist entertainment and other tourist providers that participate in these activities. Likewise, after the measures adopted by the regional government, the fishing sector was also affected. The closure of airports, restaurants and hotel units conditioned the price of fish, due to the decrease in demand, and made it impossible to export", say CRESAÇOR (Regional Cooperative for the Social Economy of the Açores).

From this cooperative, which promotes "access to education and job incubation within the Social Employment Market, access to Microcredit and supports the creation and sustainability of social insertion microenterprises" in the Azores, they explain that **commerce and tourism are the main business areas that suffered a sharp decline or even stagnation**, causing a reduction in business income. This conditioned their financial obligations with banks, suppliers, payment of salaries and the State, and to reverse this situation, "microentrepreneurs were forced to restructure their business areas and implement new strategies to guarantee the survival of the companies."

## **How to adapt with ethical finance**

Precisely these types of companies are the most frequent in requesting the CRESAÇOR microcredit line, and they have accompanied in their creation process from the Entrepreneurship Office. Therefore, and given the current situation, the focus of this entity is to mitigate the negative and unfavorable effects that are felt in the global economy, but with an emphasis on these small projects that they helped during the start up and development phase.

For this phase CRESAÇOR has “intensified the monitoring and support already provided to microentrepreneurs”, initially advising with documentation and the necessary procedures of the measures promulgated by the regional government, and later “supporting the preparation and presentation of requests”. They also carried out, working together with partner entities, online trainings to share tools and strategies to face the crisis.

For its part, France Active has opted for the **suspension of repayment terms, delays in the return and restructuring of the loans**. Entrepreneurs benefiting from a France Active loan guarantee were offered an extension of the maximum guarantee period in the event of loan rescheduling up to 6 months (which has been used by some 700 social entrepreneurs). If the loan had not yet been finalised, the entrepreneurs were offered a 3-month extension of their guarantee agreement, and it has also made agreements with the banks to support the most fragile companies for which debt is a problem.

### **Back to “normal”?**

Many of the measures that have been implemented as the crisis was stabilising and the deceleration process redefined what was “normal” before, there are doubts about what will happen next, and if the world will return to the situation before the crisis in economic terms.

It seems difficult in some sectors, especially those that cross the way in which society interacts and moves, or those that have suffered many losses, to foresee when they will stop having such doubts. From France Active they point out that **“the crisis is just beginning”** and that “its impact on social enterprises is still developing”. Furthermore, for example, in social tourism, “it is difficult to hope to return to normality” since it is difficult to imagine that this year or the next one we will continue to travel and consume at the same level as until now.

In CRESAÇOR they are more optimistic, perhaps due to territorial and demographic factors. They claim that the measures promoted at the regional level **prevented the closure of many companies, also avoiding the dismissal of human resources**; Furthermore, the Azores are one of the regions with the greatest control over the spread of the virus, with **very few cases in the entire archipelago**. Thus, although some companies are in a restructuring phase, it is believed that these activities will return to relative normality very soon.