



**Local Governments and Social Economy:  
co-creation of paths for a green and inclusive economy**

**GSEF Global Virtual Forum  
4-8 October 2021**

**Report format**

<b>Title of the session:</b>	The Role of Social Finance and its Future in the Post Covid 19 Era
<b>Type of session</b>	Self-Organised Session
<b>Language:</b>	English
<b>Date:</b>	7th October
<b>Time:</b>	16-17:30 KST
<b>Participants</b>	

**Name of moderator**

Rev. Song Kyong Yong - The Korea Social Value and Solidarity Foundation

**Speakers**

**Ms Yoo Yumi** - Community Cooperative Federation  
**Ms Patsian Low** - AVPN  
**Mr Gian-Luca Gasparini** - FEBEA  
**Mr Philippe Guichandut** - Grameen-Agricultural Credit Foundation  
**Ms Silvia Schiavon** - ICA

**Main question**

What should be the actions or strategies of individuals, governments, groups, societies, countries, to achieve a better and more inclusive world?  
 What key actions should be promoted from the local level?



### Summary of presentations:

- **Ms Yoo Yumi** - Promoted sustainable economic activities of SSE actors. Enhanced welfare, quality of life, and mutual support of members by restoring community spirits (actualization of cooperative economy movements by low-income citizens communities; 6,500 members and 40 organizations, accumulative investment 4.2mil USD / Accumulative loans 7.5mil USD in 2020). 70,000 USD mutual aid funds mobilized by 5,269 members; provided for medical services of 326 people.
  - **Purpose of establishment:**
    - Based on values and principles of cooperatives - cooperative activities of self-reliance, independence and autonomy - promote sustainable economic activities of SSE actors; enhance welfare, quality of life and mutual support of members by restoring community spirits
      - credit loans
        - difficulties of accessing banks
        - low credits
        - resolve issues of guarantees and collaterals
      - members' actions
        - fulfill planned economy
        - enhance savings
        - mutual support in emergency situations
      - managed by citizens
        - cooperation and sharing
        - actions in daily lives
        - overcome social exclusion
        - policy advocacy
        - role of civil society capital
  - Growth and origin of self-help finance
    - actualisation of cooperative economy movements by low income citizens communities: 6500 members and 40 organisations
    - loans - investment
    - education - training
    - exchanges among members
    - SSE group purchases
    - local cooperation and solidarity
  - Fund management - not savings in big banks: investment in social values - members' public ownership and democratic management of cooperative funds
  - with covid 19, livelihood safety nets based on funds mobilised by members
    - members - provide economic benefits to compete capitalistic insurance model
    - supplement social safety nets - stabilise employment - consolidate local communities



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- federation - devote to basic principals of cooperative, mutual solidarity activities - expand relationships; enhance activities of local associations, nationwide mutual aid projects
- mutual aid - build autonomous livelihood safety net by providing mobilised funds for members' medical treatments
- Business strategies
  - Step 1 - develop local bases for social economy organisations
    - member education, foster leaders
    - joint projects
    - strengthen organisational power through revitalisation of citizen activities
    - establish local infrastructures
  - Step 2 - discussion on converting into incorporated association
    - discussion and research on establishing an incorporated association since 2012
  - Step 3 - establish social cooperatives
    - 5 years of discussions: established social cooperative
  - Step 4 - member organisations' join
    - proactive mutual aids and social economy activities by converting the federation into an incorporated association
  - GOAL - enhance mutual aid spirit - contribute to stabilisation of local economy
    - provide economic benefits to compete capitalistic insurance model - supplement social security networks - stabilise employment - consolidate local communities
- Paradigm shift - challenges and actions
  - sense of duty
    - awakening that we are pioneers
    - guides of junior groups
  - figure out necessities
    - interests in sharing economy - social housing
    - group purchases - medical treatment, weddings and funerals - expand mutual aid business
    - expand according to generations and types of business
  - diffuse best cases
    - exchanges of member experience
    - diffuse best practices through workshops and advocacy activities
    - expand social economy mutuals
  - challenge spirits
    - safety nets for possible risks
    - new initiative - social bank
  - strengthen solidarity
    - enhance solidarity and cooperation among organisations of diverse local actors - youth, platform workers



- led the launch of social solidarity credit union
- **Ms Patsian Low** - AVPN Philanthropic Pooled Fund - Philanthropic pooled fund (first regional fund aimed at supporting organizations who are working to strengthen primary healthcare systems in Southeast Asia to mitigate the impact of COVID-19 and future pandemics). 84 total applications were made for the funding and ~267,000 USD average grant was asked. 79% increased access to primary healthcare in rural & urban areas, 68% improved the quality and/or capacity of a primary healthcare center, 65% increased the efficiency of primary healthcare delivery.
  - AVPN: Asia's largest social investment network
  - How can social investment effectively support long-term recovery in Asia?
    - long tailed challenge with deep social, economic and development implications
      - how to transition without affecting relief program funding?
    - non-covid related organisations play an important role in Resilience and Recovery
      - support needs to go to more than just primary healthcare and/or relief organisations
    - innovation, research, infrastructure and capacity building needs are still very critical
      - it is difficult to gain funding support for these in light of acute COVID relief needs still present
      - intellectual capital and partner networks are just as important as financial support
    - social organisations are overwhelmed by the restrictions played on COVID relief funding, at the expense of their own organisational growth and development
      - social organisations needs to be strengthened with unrestricted, general funding in order to face challenges ahead
    - GOALS:
      - Direct support of Covid-19 response and recovery efforts
      - Non-covid related contribution to strengthening of overall primary healthcare system
      - increased organisational capacity of grantees
      - new/extended partnerships and expanded network for both grantees and fund members
      - additionality provided by the fund
  - Theory of change: key outputs and outcomes
    - problem:
      - existing gaps within the healthcare system across Southeast Asia were exacerbated by the pandemic
      - these stresses caused bottlenecks in the delivery of immediate response and relief across the region
      - knock-on effects also began to surface as a result of the disruption and neglect of the treatment of other diseases



- there is a need to consolidate regional efforts in strengthening primary healthcare systems to tackle this pandemic and future ones
- grantee:
  - registered charities and non-profit organisations active in Indonesia, Philippines, Malaysia or Thailand
- activity:
  - creation of pooled fund to galvanise collaborative efforts towards desired outcomes
  - building up pipeline of solutions that fosters alignment between stakeholder of the fund
- output:
  - direct support to initiatives that contribute to strengthening the access and delivery of primary healthcare
  - support COVID-19 response and recovery efforts
  - bring together key stakeholders from various background and markets to create collective impact
- outcomes:
  - short term - to quickly and effectively scale proven healthcare solutions that will to:
    - strengthening primary healthcare systems
    - covid 19 response and recovery efforts
  - long term - to leverage on collaboration to affect impact at scale - at a level that could not have otherwise been achieved if the stakeholders worked in silos
- first regional fund aimed at supporting organisations that are working to strengthen primary healthcare systems in Southeast Asia to mitigate the impact of covid-19 and future pandemics
- 84 total applicants; 267,000 USD average grant ask
  - covid 19 response
    - 50% increase distribution of PPE and or covid-related medication
    - 49% mitigate effect of covid-19 on the treatment of other diseases
    - 48% support the development of covid-related healthcare infrastructure
  - primary healthcare response
    - 79% increased access to primary healthcare in rural and underserved urban areas
    - 68% improvement of quality and capacity of primary healthcare centre
    - 65% increase in the efficiency of primary healthcare delivery
- **Mr Gian-Luca Gasparini** - FEBEA members operate in their countries as the main financiers of the social economy sector, providing financial services and nonfinancial support (17 countries, 33 members. 30BN euros + total assets, 700k clients). Ethical financial institutions moved their entire operations online in record time, voluntarily introduced a moratorium on loan payments, dealt with the large wave of requests to reschedule payments, as well as new requests for loans





linked to the crisis at no additional cost, additional measures such as crowdfunding and solidarity campaigns, tailored technical assistance, solidarity initiatives were activated.

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- FEBEA - international non-profit association dedicated to the development of ethical and solidarity-based finance in Europe through advocacy, communication, exchange and participation of European citizens
- outreach
  - 17 countries
  - 33 members
  - 30bn euros+ total assets
  - 700K+ clients
- ethical finance
  - work to place the economy at the service of European citizens
  - contribute to solidarity, social cohesion and sustainable development
  - pursue social impact as well as financial profit
  - support innovative projects from a social and environmental point of view
  - commit to finance economic initiatives pursuing the following goals:
    - job creation, in particular social employment
    - sustainable development - renewable energies, organic farming, biodiversity
    - international solidarity and fair trade
- response to pandemic
  - operations:
    - ethical financial institutions moved their entire operations online in record time
    - they voluntarily introduced a moratorium on loan payments
    - they dealt with the large wave of requests to reschedule payments, as well as new requests for loans linked to the crisis at no additional cost
    - additional measures like crowdfunding and solidarity campaigns, tailored technical assistance, solidarity initiatives were activated
  - advocacy:
    - carried out advocacy work at the national level to ensure that social economy organisations are included in the already-activated national measures for SMEs
    - advocated for the introduction of flexibility in the existing European Employment and Social Innovation financial instruments for social finance
- **Mr Philippe Guichandut** - Creation of a Covid 19 Observatory; survey initiative among the Foundation's partners launched in March 20. Teaming up with ADA and Inpulse from May-20 to expand the sample of MFIs surveyed and reach new regions. The impact of the crisis varies according to the regions and the periods. Globally most of the MFIs (47%) don't have any more operational issues. Low disbursement levels, persistently high credit risk, and significant impact



on profitability are still the most visible impacts but to a less extent than before with big differences per region/country. In general, MFIs have all proven to be resilient, with good adaptation and foresight capacities. Institutional governance is also key to quickly adjusting and making the right decisions.

- follow up since the start of the crisis:
  - Creation of a Covid 19 Observatory: survey initiative among the Foundation's partners launched in March 2020. Teaming up with ADA and Inpulse from May-20 in order to expand the sample of MFIs surveyed and reach new regions.
  - Publication of 10 articles on how MFIs are coping with the crisis: they are all shared with our partners and within the microfinance industry. ▀ The latest study led in Jul-21 includes 78 MFIs: 17 in Europe and Central Asia (ECA), 24 in Latin America and the Caribbean (LAC), 7 in MENA, 25 in Sub-Saharan Africa (SSA), 5 in South and Southeast Asia (SSEA).
  - A study published in July 2021 provides a longitudinal analysis of the responses obtained and allows to observe the evolution of the crisis over the past year.
  - Three main fears with regard to our partners in the COVID-19 crisis:
    - Liquidity crisis
    - Increased credit risk
    - Solvency
  - A liquidity crisis has been avoided in the industry
    - At the Foundation, 29 partners (39%) have requested extensions to 2020.
    - The prudence of disbursements after the first impact of the crisis also explains the good level of liquidity.
    - MFIs have maintained a sufficient level of liquidity since (median LAR of 12% for the Foundation's partners).
  - Operational context
    - MFIs have adapted quickly to the crisis through a number of measures for staff and clients.
    - High stability in the measures implemented by the MFIs, with an emphasis on sanitary issues and client relationship management.
    - The financial constraints remain the same throughout the periods: the increase in the PAR is still the major difficulty. This is followed by a decline in profitability, notably through provisioning and the reduction of outstanding loans.
    - Few issues raised on lender disbursement or cash shortage.
  - Activities update
    - No correlation between operational constraints and the level of disbursements in Q2 (cf Africa).
    - When targets are not met, it is mostly due to low demand and adequate risk management
    - When they are, it is a mix between adaptation of services and demand from clients



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- When they are exceeded, it is largely justified by strong client demand, but also by an increase in ALB
- Credit risk
  - Excellent repayment levels in Europe, which confirms its singularity.
  - In Asia, there are 4 MFIs below 90% of repayment, far from pre-crisis standards.
  - Critical repayment levels (<70%) are only found in 12 MFIs (15% of the scope): half of them are in Latin America and Caribbean.
  - It is also related to the situation of the 3 Ugandan partners.
- Impact on profitability
  - The provisioning rate of the PAR is higher than in pre-crisis years for 58% of MFIs, generally between 0% and 25% of the usual amounts.
  - The increase in write-offs concerns only 38% of MFIs and in the majority of cases, it did not double.
  - The majority of respondents are not experiencing any pressure on equity and remain profitable (79%). Only 6 MFIs have a strong and visible impact on their capitalization level.
- Lessons learnt
  - The impact of the crisis varies according to the regions and the periods.
  - Globally most of the MFIs (47%) don't have any more operational issues.
  - Low disbursement levels, persistently high credit risk and significant impact on profitability are still the most visible impacts but to a lesser extent than before with big differences per regions/countries.
  - In general, MFIs have all proven to be resilient, with good adaptation and foresight capacities. Institutional governance is also key to quickly adjust and make the right decisions.
  - The problematic cases today were already problematic before the Covid-19 crisis, which is confirmed in 2021!
  - Good coordination between investors on informal agreements and for the coordination of technical assistance.
- Challenges
  - Acceleration of digitization projects in particular, which seems to be essential for MFIs now.
  - Focus on agriculture financing, perceived during the crisis as less impacted and so less risky, needs to be confirmed in the coming months.
  - Information sharing, shared analysis remain key to have a better understanding of the needs of the actors and be able to respond to their needs.
  - Close coordination among the main stakeholders is essential to have appropriate answers to face the evolution of the context.





- Keep the focus on the social mission of microfinance, targeting excluded people from the mainstream economy and the new excluded persons due to the Covid 19 crisis.
  
- **Ms Silvia Schiavon** - Global Cooperative Impact Fund (The ongoing Covid-19 pandemic and climate urgency reveal the fragility of our societies and planet, as well as the urgent need for a sustainable recovery that leaves no one behind). The lack of funding today is one of the main barriers to the development of cooperatives, as reported and especially the case in emerging countries. The fund is to combine financial and non-financial (TA) mechanisms of support; to provide also small tickets to answer the unmet demand of small and medium agricultural cooperatives; • to comprise a large array of financial instruments including senior subordinated loans to cover also the long-term needs of cooperatives; • to have cooperatives in its DNA from the beginning to better understand their needs and to build the Fund based on those needs. Target: invest directly into cooperatives or via financial intermediaries/ amount USD300K-3M, for long-term patient capital (senior / subordinated debt).
  
- - Why a fund for cooperatives
    - The ongoing COVID-19 pandemic and climate urgency reveal the fragility of our societies and planet, as well as the urgent need for a sustainable recovery that leaves no one behind. Cooperatives, as people-centered and democratic enterprises, are uniquely placed to respond to these challenges.
    - The lack of funding is today one of the main barriers for the development of cooperatives, as reported by them, and this is especially the case in emerging countries.
    - Bottom-up dynamic: cooperatives are locally anchored; they are key local agents of capital accumulation that could guarantee an economically sustainable development;
    - Cooperatives provide jobs or work opportunities to 10% of the employed population.
  - What do cooperatives need from a financial instrument?
    - To combine financial and non-financial (TA) mechanisms of support;
    - To provide also small tickets to answer the unmet demand of small and medium agricultural cooperatives;
    - To comprise a large array of financial instrument including senior subordinated loans to cover also the
      - long-term needs of cooperatives;
      - To have cooperatives in its DNA from the beginning to better understand their needs and to build the fund based on those needs.
  - Unique partnership
    - complementarity: The GCI is a partnership between the International Cooperative Alliance (ICA), representing more than 1 billion people members of cooperatives, and Inpulse, a cooperative investment management company specialized in investing into impact companies



- bottom-up initiative: The GCI project origination is from the cooperative sector itself: a cooperative fund by cooperatives and for cooperatives
- unique DNA: With a deep knowledge of the cooperative sector and its unique network in 109 countries the ICA is the founder of the GCI project and its guarantor.
- Global cooperative impact fund
  - fund size: \$50M
    - target: invest directly into cooperatives or via financial intermediaries
    - investment amount - USD 300K - 3M
    - Investment period - long term
    - investment tools - senior and subordinated debt
      - final beneficiaries - cooperatives
        - global fund with priority on Sub-Saharan Africa
        - no limitation of sectors
  - how will cooperatives be supported
    - Pre-Investment TA: Make the cooperatives investment ready
      - Provide the existing cooperatives with institutional reinforcement according to their needs
      - Support local federations and APEX to create a sound cooperative ecosystem
      - Leverage the development of the local private sector, ensure better outreach to marginalized groups
    - Provide them with long-term financial tools
      - Senior debt
      - Subordinated debt
      - The eligible investees will be either the final cooperative or a cooperative focused financial intermediary
    - Post-Investment TA: Support their development
      - Support their scale-up strategy, ensure sound growth
      - Create C to C business development, support inter-cooperative development and knowledge-sharing

Answers to the MAIN QUESTION:



- Yoomi: In Korea, many groups are accustomed to receive government support; more coordination between the groups can do better jobs. Laws, institutions may have a limited role, instead, we need more small groups that are active on the ground. And build a safety net together.
- Gianluca: It should be based on bottom-up approaches. Local people are in the best position to solve local problems. Civil society should put resources together and come up with solutions collectively. Organize locally and try to find like-minded groups in the region to reach critical mass to impact.
- Philippe: Strongly believes in networks, initiative locally than expand. Willingness to share information to figure out what is happening on the ground is important. We need to do global analysis to provide solutions and services. Mixed approaches such as TA, capacity building are also crucial along with financial provisions.
- Patsian: Collaboration and partnership will help at the local level. The partnership should also include other segments including investors, businesses, and funders which are all part of the ecosystem. We need an ecosystem approach that ensures the right resources to the right needs. Also, non-financial efforts are crucial.
- Silvia: Government and instructional actors are important and we should include all the stakeholders for cooperatives. Strongly believe in acting locally (not only metropolitan but also remote areas with communities). We should ensure to serve not only businesses but also communities.

#### Relevant Questions and Answers from Audience:

- **Question:** How can these associations create local solutions?
  - **Answer:**
    - **Yoo Yumi:** in Korea we are so used to the established institutions, so used to support, many groups try to solve crisis by getting support and so, rather if the groups had focused in coordinating and helping each other we would've done a better job - it is a dilemma, legal institutions are very important
      - SOCIAL economy actors have to come together in a more close-knit manner
    - **Gian Luca Gasparini** - there should be an bottom up approach to solving this issue bc these are local problems
      - reach from local level to regional level by pulling resources together
    - **Philippe Guichandut** - fully agrees with everything that has been said - being together through a network. very important, at the local level, willingness to share info and what is happening on the ground. To reach really excluded people we need a mixed support - finance is good but if you don't provide support to better their services, then it is not enough
    - **Patsian Low** - Agrees with everything. I feel that the need for collaboration and partnership will help us advance at a local level. Adjustment must include other sectors of SSE, including fundors, investors, that are all part of the ecosystem.



The ecosystem approach is the only way to move ahead - engage with other parts of the local ecosystem to ensure that the right resources are going to the right leads - no duplication of associations trying to fund the same thing which can happen at local levels.

- **Silvia Schiavon** - i will also include governments - to ensure that all actors are included, from a cooperative pov this wasn't always the case - there was lack of info and issues for members. Importance of acting locally, not only in metropolitan areas but in rural areas and involve the community around - while we support business, we also support families and communities - more inclusivity.
- **?** - collaboration shouldn't happen only with SSE, but other actors are important too. We need to build the ecosystem and take in all the stakeholders that would be contributing to expanding the partnership and with this change can happen.
- **Question: Yoo Yumi to Silvia** - how do you target the ICA members around the world, or do you focus your finance on a specific person?
  - **Answer:** the fund has not been launched yet, the fund has the full support of the European Commission. We are gathering investment from other actors. in terms of beneficiaries, the only ones will be cooperatives
- **Patsian Low:** When we talk about capacity-building programs provided by funding communities, as it is hit by the covid19, we are seeing emerging programs that are targeting specific needs rather than general ones. How this is evolving around the world?
  - **Philippe:** Reality is not optimistic. Global issues of capacity building is well understood by most funders and they are trying to focus on specific programs. However, technical assistance should be based on global approaches, not specific issues.
  - **Gianluca:** Providing technical assistance should go hand in hand with financial support. Delicate issues should be discussed by not only government and funders but also by financial intermediaries and beneficiaries; so they can formulate the best support programs through discussions.

Screenshots of the zoom session (preferably gallery view with all the participants, so please take a minute before closing the session to ask all the participants to turn on their videos and take a group photo. This can be also used for the video recording later.)







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*SPEAKER_PHILPPE GUICHANDUT(GACF)	moon	Young Kim @ SSEGOV	*SPEAKER_PATSIAN LOW(AVPN)	Gset Secretariat
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Add summary or conclusion of the moderator at the end of the session in case there were no closing remarks per presenter/speaker

Throughout the session, we witnessed the power of social finance that guides us through all the risks that are posed by the pandemic. Although the pandemic accelerates the trends of social and economic inequalities, we saw the hopes from the various social finance organizations that are trying to solve the problems through alternative and innovative ways. And these hopes can grow even bigger when we exchange, discuss and share our ideas. I hope this session can become a starting point for growing the hopes.

Yoomi: We are doing in-person finance. Our case gives hope, if we achieve one thing we can achieve more.

Gianluca: What we have discovered is that we might have seen some big forces push us down but if we put our resources together we can fight against it. Let's keep cooperating rather than building walls.

Phillipe: Optimistic. Microfinance has demonstrated that it is very resilient during the pandemic. This proves that they can meet the needs of people. Collaboration of all the stakeholders is extremely important.

Patsian: We talked about the importance of partnership and networks. Despite all the challenges, SSE is continually growing and building bridges. We can continue to grow

Silvia: SSE actors are crucial as their impact on community and resilience to fight against this crisis.