

Social and Solidarity Finance: Tensions, Opportunities and Transformative Potential

AN UNRISD WORKSHOP IN COLLABORATION WITH FES AND ILO

Recent financial crises have brought to light the social and environmental harm that can be caused by instability in the financial system. Social and solidarity finance (SSF)—which includes a range of forms of finance and exchange that pursue a social mission—may offer less volatile, and therefore more sustainable, alternatives. At a time when the development community is deciding how to finance the ambitious post-2015 sustainable development agenda, the potential for SSF to contribute to a more stable financial system that is conducive to sustainable development should not be ignored.

The workshop objective was to start conceptualizing social and solidarity finance, and to evaluate its transformative potential as a pathway to sustainable development. The participants included 29 experts in the fields of alternative and microfinance, anthropology of money, social and solidarity economy (SSE), and gender. Academics and practitioners from the global South and North, as well as staff of United Nations agencies, took part. They presented a rich body of evidence on the diversity of forms of SSF, their role as a financing tool for SSE and local economic development, and the tensions they face when trying to scale up operations.

What is Social and Solidarity Finance?

During the workshop it became clear that “social and solidarity finance” cannot be reduced to particular financial arrangements or organizations. It should rather be understood as a coherent system integrating financial relationships and social interactions within a framework of support, trust and solidarity (Amélie Artis, Benjamin Quiñones, Anup Dash, Jean Fabre). The result of such an approach to finance is a more egalitarian power relationship between borrowers and lenders than found in traditional financial transactions. For example, ethical banks and financial cooperatives target specific audiences (women, the unemployed, new businesses) and finance certain types of social and economic activities, such as those related to the environment, education and social welfare, which are often excluded from conventional banking credit (Amélie Artis).

Financial arrangements pertaining to social and solidarity finance aim to:

- democratize access to finance;
- reinsert values and practices of solidarity and reciprocity into the financial sphere;

UN Inter-Agency Task Force on SSE

The United Nations Inter-Agency Task Force on Social and Solidarity Economy (www.unsse.org) met during the workshop to discuss the role of SSF in current financing for development debates. The Task Force endorsed a sentence, drafted by experts at the workshop, and proposed its inclusion in the Outcome Document of the Third Financing for Development Conference (July 2015, Addis Ababa). At time of publishing, the drafting suggestion had been disseminated through the member states of the International Leading Group on Social and Solidarity Economy (www.rencontres-montblanc.coop/node/688).

Why SSF at UNRISD?

- To respond to increasing interest from academics and the international development community.
- To explore SSF as an alternative, more enabling, financial environment for SSE initiatives.
- To recognize and support more sustainable forms of finance and exchange able to counter the unstable nature of the financial system.
- To bring SSF to the attention of the United Nations in the current debates on financing the post-2015 development agenda.

- foster local economic development; and
- build a sense of community and mutual support.

Social and solidarity finance is therefore used to refer to a diversity of financial arrangements. Among them, ethical banking, financial cooperatives, community development banks, solidarity microfinance, community-based savings schemes—including rotating savings and credit associations (ROSCAs), and savings and credit cooperatives (SACCOs)—solidarity revolving funds, complementary currencies, crowdfunding, participatory budgeting and, arguably, crypto-currencies, impact investing and social impact bonds.

To further realize the transformative potential of SSF, the argument was made for broadening the concept to include activities undertaken in the household economy, mainly by women (Magdalena Villareal). Some speakers also called for rethinking traditional approaches to money, recognizing how monetary innovations, such as crypto- and complementary currencies, can have positive social, ethical and environmental impact (Anup Dash, Jem Bendell, Brett Scott). The lack of appropriate measurement toolboxes to monitor, evaluate and report social performance data of SSF initiatives was also underlined, as measuring the performance of SSF mechanisms with tools designed for for-profit financial arrangements is unlikely to be effective (Anup Dash).

Social and Solidarity Finance for Social and Solidarity Economy

Findings from a previous UNRISD inquiry (www.unrisd.org/sse) showed the potential of SSE for socially inclusive development. However, obstructive financial environments, including lack of access to credit, unstable financial markets and insufficient recognition of the social mission and specific needs of



Social and Solidarity Finance in Figures

- More than 51,000 credit unions in 100 countries; 200 million members and over USD1,500 billion in assets.
- Nearly 100 million users of community-based savings methods in sub-Saharan Africa. In Tanzania, women's membership in financial cooperatives has more than quadrupled since 2005, bringing women's share of assets to 43 per cent.
- Microfinance amounted to USD15 billion of public and private investment in 2008.
- The Global Alliance for Banking Values (GABV) counts 25 ethical banks, operating in 30 countries with combined assets of over USD70 billion and around 20 million clients.

SSE initiatives, may prevent SSE actors from accessing finance on favourable terms or force them to renege on their values to meet the requirements of investors (Anup Dash, Johnston Birchall, Nathanael Ojong, Solène Morvant-Roux).

In this context, SSF seems to be a natural partner offering suitable financing tools for SSE. SSF mechanisms could be replicated and reinforced through South-South and Triangular Cooperation (Benjamin Quiñones, Leandro Morais, Jürgen Schwettmann).

Participants presented evidence that microfinance has not always succeeded in being socially inclusive. While microfinance began as a solidarity-based approach, it has become increasingly commercialized (Jean-Louis Laville). It can fail to reach the poorest, especially women, and can increase the financial fragility of borrowers. Financial cooperatives may also remain inaccessible for those who are not able to cover membership fees and saving capacities (Solène Morvant-Roux).

Cases studies in Cameroon, Canada and the United Kingdom showed that SSE organizations do use the financial tools aligned with their social objectives, but different organizations require different tools, and often need a complex blend of funding channels to reduce risk (Nathanael Ojong, Johnston Birchall).

Enabling the Transformative Potential of Social and Solidarity Finance

SSF initiatives are often part of a holistic model of local development. Financial cooperatives, for example, can serve as a basis for other development programmes (Johnston Birchall). Case studies in Benin, France and Romania show that the potential of SSF can be realized through adopting a territorial approach (Pascal Glémain). In Brazil, Community Development Banks democratize access to finance, mobilizing local investments and financing

local consumption and production (Genauto Carvalho de França Filho). Resources are managed by community organizations, and loan-granting and -collecting mechanisms are based on neighbourhood networks (Leandro Morais).

In Cameroon, credit unions are not permitted to use external funding. As a result, they tap into the savings reservoir fed by rotating savings and credit associations (ROSCAs) to mobilize financial resources. Crucially, this mechanism socially embeds credit unions, providing them with legitimacy (Nathanael Ojong).

Complementary currency schemes have also demonstrated their transformative capacity (Jem Bendell, Genauto Carvalho de França Filho, Leandro Morais). Bitcoin, for example, can significantly cut the cost of sending remittances by avoiding conventional money transfer systems, an option illustrated by representatives of BitPesa. However, it remains unclear whether the demand for Bitcoin will be significant enough to ensure continuous flows of transactions (Brett Scott).

Scaling up SSF initiatives often involves challenges to their core values, which can undermine the achievement of their transformative potential (Anup Dash, Johnston Birchall, Jean-Louis Laville). While social impact investment was recognized as potentially being able to trigger investment in SSF initiatives, it is perceived as a challenge to the core social and solidarity values inherent to SSF (Anup Dash, Nicole Alix).

Participants stressed that the role of governments in crafting an enabling legal framework and regulatory mechanisms is crucial for the realization of the transformative potential of SSF (Leandro Morais, Johnston Birchall). Tackling disabling policies is also key, as existing regulations may fail to take into account the specific nature of SSF initiatives. Equally, the current financing for development discussions should not only recognize and promote SSF but also help design empowering and sustainable financial regulation (Nicole Alix).

Further Information

The workshop was organized by UNRISD in collaboration with the Friedrich-Ebert-Stiftung (FES) and the Emerging and Special Partnerships Unit of the Partnerships and Field Support Department of the ILO.

Online resources

The workshop contributions, background note and concept note are available online at www.unrisd.org/workshop-ssf. A report of the proceedings produced by the ILO is also available (www.ilo.org/pardev/south-south/WCMS_371376/lang-en/index.htm).

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