



United Nations Research Institute for Social Development

# UNRISD



## Concept Note

### **Social and Solidarity Finance: Tensions, Opportunities and Transformative Potential**

#### ***An UNRISD Workshop***

***in collaboration with the Friedrich Ebert Stiftung and the International Labour Office***

**11-12 May 2015, International Labour Office, Geneva**

Recent financial crises have brought to light the social and environmental harm caused by the inherent instability of the financial system. In the search for alternatives, some policy makers, researchers and United Nations agencies are directing their attention to social and solidarity finance (SSF)—a range of financial arrangements that operate based on solidarity (see box 1).

Could social and solidarity finance contribute to a more stable and inclusive financial system that is conducive to sustainable development?

*Social and Solidarity Finance: Tensions, Opportunities and Transformative Potential*, a workshop organized by the United Nations Research Institute for Social Development (UNRISD) in cooperation with the International Labour Office (ILO) and the Friedrich-Ebert-Stiftung (FES), aims to explore this question.

#### **Rationale**

Financial systems have contributed to the creation of unprecedented wealth, acting as facilitators of economic growth and innovation. But financial capitalism and associated processes of commodification and deregulation have resulted in wealth concentration and environmental disruption. Moreover, most financial markets tend to exclude low-profit socioeconomic agents, including social and solidarity economy (SSE) actors, from access to appropriate financial services.<sup>1</sup> SSE organizations may then have to compromise their values and objectives in order to obtain credit through conventional finance. Therefore, they often turn toward, and even themselves develop, alternative means of financing.

Financial crises, lack of access to financing and exclusory effects associated with conventional finance have spurred the multiplication and diversification of social and solidarity finance schemes. Despite the diversity and multiplication of such schemes, there is little theoretically sound and empirically robust knowledge about SSF. With this workshop UNRISD aims to begin filling these gaps in research and understanding; the findings will be disseminated to a wide audience.

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<sup>1</sup> SSE refers to forms of production and exchange that aim to satisfy human needs and build resilience through social relations based on cooperation, association and solidarity (including cooperatives, mutual health associations, fair trade organizations, self-help groups and forms of social and solidarity finance). UNRISD research showed the potential of SSE organizations to enhance resilience and economic and political empowerment through collective action.

## Social and solidarity finance

Social and solidarity financial mechanisms aim to (i) democratize access to finance; (ii) reinsert values and practices of solidarity and reciprocity into the financial sphere; and (iii) foster local economic development and iv) boost community-building.

These schemes include exchange and financial mechanisms based on collective self-organization through which people manage their resources according to principles of solidarity, reciprocity, autonomy, trust and mutual aid. SSF encompasses ethical banking, financial cooperatives, community development banks, solidarity microfinance, complementary currencies, community-based savings schemes, participatory budgeting, crowdfunding, and (arguably) crypto-currencies, social impact bonds and impact investing.

## Objectives

The overarching objective of the workshop is to evaluate the tensions, opportunities and transformative potential of social and solidarity finance as a pathway to sustainable development.

Toward this objective, invited experts will consider the following three themes, through both written contributions and workshop presentations:

1. **Exploring and conceptualizing social and solidarity finance**
2. **Social and solidarity finance as a financing tool for social and solidarity economy**
3. **Enabling the transformative potential of social and solidarity finance**

A meeting of the UN Inter-Agency Task Force on Social and Solidarity Economy will also be held in conjunction with the workshop, on social and solidarity finance in financing for development and the post-2015 sustainable development agenda

The workshop will initiate a new UNRISD inquiry into *Social and Solidarity and Finance: Tensions, Opportunities and Transformative Potential*. It will bring together an interdisciplinary group of experts—in the fields of alternative finance, economic sociology and the anthropology of money—to look at the transformative potential of social and solidarity finance from a South-South and triangular cooperation perspective at a time when financing for development and the post-2015 sustainable development agenda are high on the UN's list of priorities.

## Workshop Themes and Questions

### *Theme 1: Exploring and conceptualizing social and solidarity finance*

*This session will begin to build a conceptual framework for social and solidarity finance. Scholars, practitioners, policy makers and international organizations working on SSF can make use of a stronger conceptualization to move SSF research and practice forward.*

#### **A. What is social and solidarity finance? Mapping diversity**

What kind of financial and exchange mechanisms embody the values of solidarity and reciprocity akin to those on which SSE organizations are based? How can the multidimensional nature of social and solidarity finance be conceptualized? Can very different types of alternative finance and currency (such as Bitcoin) be considered forms of solidarity finance? What meaningful typologies can be proposed?

**B. How does social and solidarity finance differ from conventional finance?**

What differentiates SSF from conventional finance in terms of values, principles, institutional foundations and modalities, monetary and financial practices and economic rationality? In what way could SSF address the failures of conventional finance?

**C. What explains the apparent robustness of forms of SSF to financial crises?**

Many banking cooperatives have been able to withstand shocks associated with financial instability and crises better than conventional banks. Have other SSF mechanisms shown similar resilience? What factors, internal and external, can explain such resistance? Which institutional conditions and organizational modalities enhance resilience of SSF?

**D. Beyond diversity, a common economic rationale?**

Despite their great diversity, do SSF practices share common characteristics, values and principles? Can a common economic rationale be identified? Are there universal (i.e., not culturally specific) socioeconomic traits that can be recognised?

***Theme 2: Social and solidarity finance as a financing tool for SSE***

*Social and solidarity economy practitioners are increasingly adopting innovative forms of hybrid financing, accessing both private and public loans, state subsidies and grants, and private donations, while reinvesting net earnings to consolidate or expand their activities. Which financial tools and intermediaries are best suited to support SSE organizations in ways that do not impede the realization of their social objectives?*

**A. How is SSE financed in practice?**

What forms of financing are used by SSE organizations? What challenges do SSE enterprises face when it comes to financing their activities? To what extent do SSF initiatives, such as solidarity microcredit, ethical and cooperative banking, and community development banks actually provide financing to SSE organizations? What is the role of South-South and Triangular cooperation in financing SSE?

**B. Measuring the impact of SSF**

How does SSF funding impact SSE organizations differently than private funding or public subsidies? How can the impact of SSF be measured? To what extent could SSF complement or supplement other financial mechanisms? What are the limitations?

**C. What role can SSF play in financing SSE?**

What forms of non-conventional financial schemes have the potential to further finance SSE, if enabled? What role could impact investing (investments by conventional financial actors that aim to generate social and environmental impact) play in financing SSE?

**D. What would an integrated funding strategy for SSE initiatives look like?**

What composition of hybrid financing is most suited to SSE organizations' needs? What kind of policy measures could ensure long-term financing for SSE? What organizational innovations and institutional reforms are required to enhance the financing of SSE organizations through SSF?

***Theme 3: Enabling the transformative potential of social and solidarity finance***

*The instability of the financial system reduces the capacity of individuals to empower themselves, increases poverty and ultimately hinders sustainable development. What might be the role of social and solidarity finance in financing for development and the post-2015 sustainable development agenda?*

**A. What is the systemic impact of SSF?**

Do social and solidarity finance schemes have counter-balancing effects in times of crisis? Can social and solidarity finance replace conventional finance? Does it aim to do so? Or rather, are mechanisms of social and solidarity finance means to complement, counter-balance or address the failure of conventional finance?

**B. Challenges of scaling up**

What are the tensions arising when SSF scales up? What role do market pressures and public policies play in helping, or hindering, the expansion of SSF? What are the risks of scaling up financial arrangements that bypass conventional banks? Should SSF cooperate with conventional finance to have a systemic impact? To expand, should forms of social and solidarity finance cooperate with private, for-profit financial institutions?

**C. Enabling conditions and institutional requirements**

What institutional and political conditions allow social and solidarity finance to expand? What are the obstacles to the development of a conducive environment? Are non-successful models of social and solidarity finance illustrations of their intrinsic limitations or consequences of a non-enabling environment?

**D. SSF and financing for development**

In the framework of financing for development processes, what role could SSF play? Are SSF initiatives potentially innovative forms of finance for sustainable development? Can more solidaristic forms of finance foster gender equity, sustainability and environmentally responsible practices, inclusiveness, decent work and empowerment?

**Workshop Organization and Outputs**

- **Dates:** 11-12 May 2015
- **Proposed venue:** Room VII, International Labour Office (ILO)  
4, route des Morillons, 1211 Geneva 22, Switzerland
- **Anticipated number of participants:** around 25 experts (speakers, chairs and discussants), from Northern and Southern countries as well as Geneva-based participants
- **Provisional agenda:** see attached document

The workshop outputs and supporting documents include:

- A **workshop concept note** prepared by UNRISD
- A **series of selected workshop contributions** to be co-published online by UNRISD, FES and the ILO. UNRISD commits to make these available on its website as working papers. Selected papers could potentially form a special issue of a journal
- An analytical **synthesis paper** that brings out the main insights of the workshop, drafted by UNRISD and published online as an UNRISD Research Paper.
- A **project brief** on the proposed UNRISD research on *Social and Solidarity and Finance: Tensions, Opportunities and Transformative Potential*

Direct outputs of the workshop will be published electronically as “UNRISD-FES-ILO” work, with UNRISD coordinating the editing, formatting and online publication. The papers could be published in print subject to availability of funds.

## Results, Beneficiaries and Impacts

Questioning the social impact of the financial system is critical at a time of intense debate, within the United Nations and beyond, on financing for development and the post-2015 sustainable development agenda.

The workshop will directly impact the United Nations sphere, through the **United Nations Task Force on Social and Solidarity Economy**: the findings of the workshop will feed into a position paper of the Task Force, to be disseminated to stakeholders of the **Third International Conference on Financing for Development in Addis Ababa** (13-16 July 2015).

From a **research perspective**, the expected results of the workshop are:

- A proposed conceptual framework for social and solidarity finance.
- Improved understanding of the economic and financial conditions in which social and solidarity finance develops.
- Improved understanding of the intersections and linkages between SSE, SSF and traditional financial actors.
- An assessment of the extent to which social and solidarity finance can be a sustainable source of financing for SSE organizations.
- Greater insight into whether social and solidarity finance can significantly contribute to a more stable financial system that is conducive to sustainable development.

From a **policy perspective**, the expected results of the workshop are:

- Improved understanding and greater visibility of social and solidarity finance among national and international policy makers and the UN system.
- Research-based evidence and analysis, including Southern experiences and a gender perspective, of the tensions, opportunities and transformative potential of social and solidarity finance. Key findings and recommendations from researchers and practitioners will be highlighted for the use of policy makers.
- Sharing of Southern experiences and knowledge of social finance through a South-South and Triangular cooperation angle.
- Greater insight into the potential role of social and solidarity finance in financing for development in the framework of the post-2015 sustainable development agenda.

The findings of the workshop will be **particularly valuable to**:

- Policy makers and their advisors at the local, national and international level that are tasked with the implementation of a sustainable development agenda or with a social and solidarity economy portfolio (part of the ministry of labour, in many countries).
- Civil society and advocacy groups aiming to ensure that more sustainable finance and social justice issues are central to the work of the United Nations.
- The research community willing to link academic findings with debates at the United Nations.
- Practitioners of social and solidarity finance, whose concerns and unique insights will be taken into account within debates and research at the United Nations.

## Social and Solidarity Finance Initiatives at the ILO and UNRISD

Since 2010, the International Labour Organization (ILO) has organized an annual Academy on Social and Solidarity Economy, which serves as a forum for knowledge sharing among multiple stakeholders in order to discuss how SSE can promote job creation, social dialogue and social protection, through an inclusive South-South Cooperation approach.<sup>2</sup> It has showcased many examples of social and solidarity finance that can be shared between developing countries, for mutual learning, but also between the “global South” and developed countries. Many examples of social and solidarity finance are present or coming from the South. They include complementary currencies, workers’ investment in failed or bankrupt enterprises and binational projects on SSE projects relating to sustainable development.

In May 2013, UNRISD organized an international conference, *Potential and Limits of Social and Solidarity Economy*, co-hosted with the ILO. The UN-Non-Governmental Liaison Service (UN-NGLS) held a special session on *Alternative Finance and Complementary Currencies*. Outputs of this work are available at [www.unrisd.org/sse](http://www.unrisd.org/sse).

## References

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<sup>2</sup> 1<sup>st</sup> edition - 2010 in Turin; 2<sup>nd</sup> edition - 2011 in Montreal; 3<sup>rd</sup> edition - 2012 in Agadir; 4<sup>th</sup> edition - 2014 in Campinas. Please see <http://socialeconomy.itcilo.org/en>.