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Social and Solidarity Finance

*Tensions and Challenges of Navigating between
“Inefficiency” and “Mission Drift”*

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Abstract

Social and Solidarity Finance is a different approach to finance, based on the conviction that Money can actually be a means to achieve positive social, ethical and environmental goals with a reengineering of the system based on the Ethics of Wellbeing instead of the Logic of Economics. In contrast to the greed and profit driven commercial financial system, based on competition and individualism, it seeks to bring a social content, environmental focus, moral purpose, and democratic character to finance. In this sense, it redefines money and finance and brings a new language, logic, and value to finance.

In the context of the growing multiple crises which mark the end of the “enlightenment project”(the dominant neoclassical paradigm), the SSF is a “Post-enlightenment project”. As “the Next Economy”, it opens up a dialogue of values and challenges us to examine previously unexamined beliefs and worldviews, new Conceptual space and horizons of the possibilities for social and political creation, and demands forward-looking scholarship (to support policy and practice) for a social shaping of future based on our capacity to innovate. The author argues that the SSF landscape is today transforming rapidly.

Historically, SSE developed in the sidelines of the dominant economy as a “ground floor” economy, and had to struggle against the “headwind” of capitalist financial architecture. Today the “tailwind” is gathering momentum, as the capital market actively opens up strategies for channeling private capital flows into the SSF market as “transformational tools”, whose foundations are in sharp contrast with the commercial financial markets. Thus, the author argues that the shape/state of SSF is currently at a very critical point with promise, potentialities and possibilities for growth, but is faced with serious challenges to successfully navigate between “inefficiency” and “mission drift”.

In the absence of a navigational tool box for SSF managers, their performance is measured with tools designed for the profit-only financial systems, only to be discarded as “inefficient”. On the other hand, efforts within the commercial financial system to achieve social goals ran into the danger of a “mission drift”. The author argues that the SSF sector has to resolve this tension by developing its own tool box designed to capture the realities of the SSF organizations and appropriately value the returns on investment with robust industry standards, measures and metrics for Social Returns on Investment, Social Performance Management, Social Accounting Framework, Social Rating tools, monitoring, evaluation and reporting systems, making transparent and credible data publicly available, above all a common language platform to communicate and collaborate with clarity and coherence so as to attract more and more supporters for it to grow as “the Next Economy”.