First European Forum
on Social Investment
Report

Upscaling social investment to create jobs

THIS EVENT HAS BEEN ORGANISED IN COLLABORATION WITH THE TOURISM AND CONGRESS OFFICE IN ROUBAIX [OTCR]

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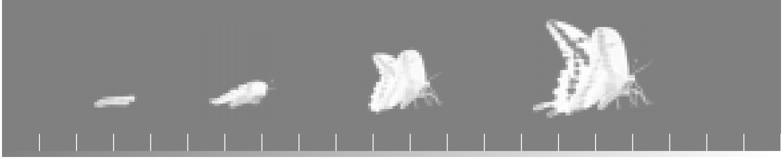

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First European Forum on Social Investment

260 participants, comprising representatives from about a hundred local or regional authorities, a hundred banks, 25 universities and schools and about fifty organisations active in the field of support for job creation, had the opportunity to meet, discuss and share their expertise. This Forum lay within the framework of the pilot project “Third System and Employment” carried out by INAISE for the DGV of the European Commission.

Although the main objective of this first forum was to contribute to the expansion of social investment in Europe, it also aimed to:

➢ strengthen INAISE as a network
➢ offer social finance organisations and social banks an opportunity to share and compare their experiences and techniques
➢ uncover new market segments by being alert to needs in terms of financing, whether they come from local or regional authorities, foundations, the private sector, local employment initiatives or financial tools from other countries...
➢ give social banks and the other players present the opportunity to create, not to say, strengthen partnership bonds
➢ exchange information between on the one hand, local initiatives, local authorities, local development initiatives or any other organisation active in the job creation field and on the other, the financial instruments which could help them to carry through their activities to a successful conclusion.

As well as the stands, the plenary sessions and the workshops, there was adequate time for participants to arrange their own individual working meetings or to meet for a drink at the “café solidaire” situated near the stands.

Perspectives

A unanimous declaration brought the participants together at this forum: the social economy exists and investment not only must, but also can develop in the European Union.

Social investment is investment which does not seek profit for profit's sake. Above all it is investment which aims to recreate social bonds, by reintegrating excluded groups into the economic circuit, re-establishing these bonds by creating jobs and businesses. The issue is to move out of welfare and to aim at making projects profitable. So as a general rule it is not a question of integration for the sake of integration, but to engender the development of real economic activity.

To what extent and under what conditions do social investment tools bring "social added value" in comparison to traditional tools?

1. By their proximity to the local players. Despite the globalisation of the economy, the elevation and the concentration of the level from which economic decisions are made, many needs, in terms of consumption and infrastructure, remain unmet. They may turn out to be "solvable" (ie. Adequate resources may be available). But, in order to make this happen, the economic operators, whether they be "traditional" or have a social aim, must of course become familiar with and determine for the best the identity and the concrete needs of the local communities.

2. By their local and community origin. At the outset, many social projects are not financing projects. They are initiated by project proposers, individuals or groups rooted in a "locality" or a pre-existing infrastructure of social relationships. The key to success will often be found in the capacity to capitalise on the energy, imagination and the strength of economic and social resources within the community

3. By the fact that they "interface" between the public and private. On the one hand, in the different member states of the European Union the welfare state crisis is evident in the difficulty experienced by public (even decentralised) institutions in responding to the social needs of small local entities or "marginalised" social groups. It is not necessarily the financial capacity of public bodies which is lacking, but rather their local and social expertise.

On the other hand, the traditional private institutions tend to favour rapid profit and return based on economies of scale, which has the effect of their considering only loans for or participation in already established or large-scale economic units. The most dynamic and productive social investments thus seem to be those which manage to bring together in a spirit of co-operation public players, private players and Third Sector players with local expertise.

4. By their capacity to take an "entrepreneurial" approach and to gamble on the dynamism of the project proposers. The issue is to move away from a philosophy of welfare to one promoting an economic approach which is not at odds with the market economy, so that the individuals, groups or localities to be "reconnected", to be "reintegrated", see themselves as being offered the means to become real actors in the process, and not merely "clients".
5. By offering savers the chance to see their savings invested, under their control, in projects which not only correspond to their values and moral codes, but also offer all the guarantees of minimal financial return.
6. By the fact that many projects subscribe generally to the philosophy of sustainable development. Often it all about developing or encouraging initiatives which fall within the framework of a local, economic and ecological whole.

For all that, despite remarkable progress, the social economy and social investment sector, still remains confronted by problems which are fundamental to its stabilisation and development. Several problems have been raised, and solutions sometimes suggested.

Relations between local authorities and Third Sector players are sometimes difficult. On occasion they each see themselves as competitors in the same "market". Local authorities may hesitate to trust "non political" players and those from another culture, whilst the project proposers may feel afraid of being "instrumentalised" by the local authorities or being made to feel like legless men being offered a pair of shoes/marginalised.

Investment in the social economy could increase if it attracted fiscal exemptions or fiscal incentives. Thereafter the public authorities could help the process along. On a community level, it would be equally desirable if there could be some fiscal harmony between the member states of the European Union.

The various social security systems often constrain community initiative. For many of those in receipt of social benefit, the risk of losing that benefit by creating their own jobs or simply by engaging in unpaid work, curbs initiative and the spirit of enterprise Therefore reform of the social security systems is necessary.

Private banks and private investors ought to be strongly encouraged to invest part of the funds they have on deposit in local community projects and social and environmental projects. This is what lies behind the idea of passing a European directive inspired by the north American Community Reinvestment Act.

Clearly a full examination of social investment in Europe could not be completed in one single forum. The huge diversity of projects and of their philosophies would prevent it, as would the large variety of financial players. But let's wager that this first experience will lead more than one player along the path to partnership.

Plenary Session

Opening of the Forum by Monsieur Antoine Haulot, *advisor to Monsieur Pierre de Saint-Hignon, Vice-President of the Nord-Pas-de Calais Region*

Nord-Pas-de-Calais is the PLIE (Plan Locaux pour l'Insertion par l'Economie) region "par excellence". It is also the "Région des Initiatives Solidaires" (region of community initiatives) amongst which number "Autonomie et Solidarité", the community bank, the "Cité de l'Initiative" here in Roubaix, which tries to promote the creation of jobs and the setting up of a series of contacts in the field of textiles by liaising with the distribution network etc. In the past the Region has also been at the forefront of establishing a network of local initiatives platforms and we are working to strengthen the role of such local tools. The Region is also a strong supporter of delegations from ADIE which is doing such remarkable work in the field of job creation for the disadvantaged. We must not forget the "CIGALEs", whose work in the field of mobilising the players in the local economy cannot be underestimated. This network of players rejects the fatalistic attitude which is prevalent in the economic fabric of this region. Of course we are a long way from our goal in terms of creating businesses, but from now on the addition of these initiatives is recognised by the economic world as a whole.

There is room for a strengthening of the local and community tools which you represent. If you work reasonably well with the Region, it is because basically we subscribe to the same system of values: the community dimension of development in order to forge social bonds and generate participation by local players in the economic redeployment of the Region, a concern to breed a new form of citizenship which gives priority to people's right to exercise their iniiative. Essentially, the reciprocal interaction between the individual and society centres around employment.

It remains for me to wish you an excellent forum. I think we have a lot to learn from each other in the field of financial arrangements to service business creation. Democracy has no meaning unless it allows the invention of the future. This lies at the heart of economic trends.

Malcolm Hayday, *President of INAISE and Director of Community Finance, Charities Aid Foundation (CAF)*

The relevance of social investment.
History of the movement and of the research-action

INAISE is a network of about 50 social banking organisations, which are essentially but not exclusively European. Within this network we are experimenting with a number of financing tools. Now that we are celebrating 10 years of INAISE, it is time to further develop contacts and partnerships, this being the aim of this two-day forum.

Two years ago we met the DG V and we suggested analysing more closely the financing tools of the social economy in Europe. The results of this were published and disseminated to the public in the form of a book entitled “Bankers of the Future”. The most striking conclusion was that the existing financial tools are not generally suited to addressing the question of unemployment and social exclusion; on the other hand they do generally have the capacity to mobilise large quantities of funds. The financial instruments, like the member organisations of the INAISE network, seem to be capable of guaranteeing access to credit but also allow for the maintenance or creation of jobs at costs generally lower than other mechanisms. Sometimes these costs are even lower than costs paid by the state in terms of income support or social security benefit.

Henceforth, all efforts should be concentrated on establishing whether social investment can play a role in policy matters, both at national government and European level.

A few years of distraction

Ever since money has existed, people have been ready to accord a meaning to it and to live with it. Examples of social investment are not new and go back as far as the 14th century. More recently, and since the end of the last world war, the development of general social security policies and policies of full employment have acted as distractions from certain initiatives. We have had the feeling that the State could do everything and that we hadn’t to rely on the private sector anymore. In 1971, the decision of the USA to abolish convertibility had the effect of breaking the link between paper money and the real value of goods and products.

The world of manufacture, the creation of wealth started the process of divorce from the monetary economy. Now there seems to be a major gap between distribution and job creation. The transfer of wealth between generations seems to be broken, and recurrent pockets of poverty are appearing, essentially amongst the children of refugees and minority communities.

It is in these fields and in whole areas that the new tools of alternative financing, the reinvestment circuits, the guarantee funds and the social ventures must henceforth deploy themselves. However, thousands of obstacles remain and many businesses with a social purpose are disappearing. The issue for the workshops in this forum is to find the means to encourage and to stabilise this type of enterprise.

Today, social investment must no longer be considered a burden and all sectors must work together. Alas, however, these sectors and different alternative networks have a tendency to compete with each other. We must envisage not large tools, but tools proportional to social needs. Through the workshops we shall have the opportunity to consider the setting up of partnerships.

From hobby to tool

In the last decades, alternative financing organisations have quietly worked away at the margins of the traditional market, which means that the European Commission has tended to view social investment more as a hobby than as a credible activity. However such social investors have created a link between money and users. Social financing can respond to the financing needs of environmental issues, but clearly it cannot respond alone to the totality of economic and social problems. That is why States ought to be able to consider new ways of financing and development programmes which combine classic and alternative financing.

Angelo Baglio, *in charge of The Third System and Employment, DG V-A-4, European Social Fund and Local Development*

An administrator at the DG V of the European Commission, Angelo Baglio organises the pilot scheme "Third System and employment" which co-finances INAISE's "Demultiplying social investment to create jobs" programme. Some days away from the European elections, it was worthwhile recalling the origins of this pilot scheme. It was actually launched as a result of a European Parliament initiative (Commission for Employment and Social Affairs). The Commission had 20 million euros at its disposal to run this experiment. One has to remember the European Parliament's current capacity for initiative. It testifies to its capacity to understand the evolution of society.

CONTEXT

For several years Europe has acted within a voluntarist context linked to the development of a strategy for employment. Voluntarist, because within the leadership of the Commission, the fact of accepting that economic growth will not be sufficient to generate enough jobs, is not a traditionally-accepted stance. Experience has forced us to make this statement. Hence this voluntarist strategy for the development of employment, a voluntarist strategy essentially motivated by the statement that, even today and for the greatest majority of European citizens, the favoured vehicle, not to say the only vehicle, for economic inclusion can be summed up in one word: employment. Certain researchers and thinkers are currently shedding some doubt on the fact that there will be employment tomorrow, but that is another debate.

A THIRD WAY

The real problem is that Europe needs new initiatives and a new "entrepreneurality". This entrepreneurality has been relatively neglected during the last twenty years. I am not referring to entrepreneurality in the sense of traditional enterprise, extolled during the "mad" 80's. It is about the capacity to take initiatives to solve problems, rather than to make profit. And it is probably what has most influenced the structuring of the pilot scheme "Third System and Employment". That said, I think we must realise, and I apologise for it, that this voluntarist strategy also lies within the framework of the leadership of the Community and the global approach for the development of employment policies which have essentially two broad dimensions: the macro-economic dimension (budgetary and monetary policy which is supposed to maintain conditions of growth and price stability), and the dimension of the structural adjustment of our economies, notably through education, research and development, new investments, new tax systems and other structural aspects linked to the development of the jobs market as such.

Proximity

Something which is increasingly evident is a taking into account of local and community dynamics aimed at going some way to meeting the citizen. In fact, this is without doubt an interesting, if somewhat timid development beside the two main strands of macro-economics and structural adjustment. The pilot scheme is by nature an attempt to understand, to identify and to promote the development possibilities for new activities and new jobs by taking into account local and community needs. All of that is not the result of chance but of the evolution of society over 15-20 years. There is a lot of talk about globalisation, but at the same time it is more and more necessary that local communities become the natural locations for the working out of new strategies capable of combining competitiveness and the protection of social cohesion.

The evolution of production processes also allows local investment in a much more focussed way than before. In addition we are seeing an institutional decentralisation which means that the levers of public economic power become closer to the citizens and begin to have the capacity to respond to their needs. All of that is important, but what is undoubtedly most important today, is the emergence of new communities which, after the individualistic swell of the 80's, seem to have recovered a new vigour with the appearance of new types of more participative collective behaviour. Again, this development owes nothing to chance, but is due to the effect of relatively weighty factors in society. Consider demographic change, the ageing population, the development of new life styles (growth of single parent families) or even the concentration of jobs and citizens in urban areas.

Third system

All of this gives rise to certain needs which are not currently being met, mainly in areas such as people-related services (for individuals or groups: crèches, OAP's), the environment (recycling, improvement of living conditions) and cultural and leisure activities (recreation and so on).

In the course of recent years it has been noticed that it is in these three major sectors that there has been considerable growth in employment. There are, however, certain relatively important problems linked essentially to the capacity for making adequate resources available to meet demand: the fact that for this type of service you do not usually enter the market circuit, quite the contrary.

Hence the emergence of a new concept: "local development and employment initiatives". It is about initiatives aimed at developing new jobs and new activities, but distinguished by the fact that the initiatives do not belong in the sphere of the public services domain as such, nor to the sphere of profit-making private enterprise.

Characteristics

Such local development and employment initiatives, as analysed by the services of the Commission and other operators (academics or practitioners), indicate that they are trying to find solutions to problems rather than to position themselves in a new market segment, that they often refer to social community factors, democratic function or even the primacy of the individual over capital. They are more and more the fruit of partnerships between associations, groups of people and public and private services. The market as such is not the only source of revenue, and during the next two days we shall discuss the problem of financing this type of initiative, and your first forum is a self-evident symptom of changing attitudes and of a recognition of alternative financing needs. Finally it is worth considering that such initiatives tend to focus in particular on the problem of disadvantaged groups or individuals.

A foreshadowing?

All the same it has to be said that the phenomenon of local development and employment initiatives is not properly speaking a recent one. We are in the north of France, and for example, the co-operative movement, formerly very strong, reminds us that at the end of the 19th century, many community organisations (co-operatives or mutuals) were created essentially to meet similar needs: the needs of workers jeopardised by the industrial revolution. It is true to say that the current local initiatives are more multi-faceted in terms of specificities which I have just mentioned, but by definition they are responding to the same reasoning.

Over and above the pilot scheme, I want to make a connection with what we are trying to do at Brussels level to develop these types of initiative, and to support them, inasmuch as we are persuaded that it concerns an important developmental avenue.

The Luxembourg procedure

With the European employment strategy as it was defined after the Treaty of Amsterdam, a number of important procedures are developing, with the aim of ensuring that the member States work together to address the problem which is a common concern for all and therefore of interest to all, namely the creation of employment. Amsterdam cemented this will to work together by making employment an important theme for the whole Community.

During the Extraordinary Luxembourg Summit in November 1997, the member States agreed a procedure based on "Guidelines for Employment" which were jointly devised by the member States, and then translated into national plans of action for employment prepared by the States in response to these Guidelines. May I remind you that these guidelines are founded on 4 important pillars: fostering the capacity of workers to obtain a job ("employability": guidance, training, work experience); "entrepreneuriality" (initiative-taking); adaptability (capacity of businesses to adapt to current challenges); and finally, equality of opportunity (between men and women and in relation to disadvantaged groups).

So we have a strong and dynamic institutional context, for which I think it is important to draw to your attention to the fact that this year the Council of Ministers, in its 1999 resolution, recognised that it was necessary to support the role and responsibilities of local operators to promote the means of fully exploiting the possibilities offered by local initiative and by social economy initiatives. That was already part of the 1998 Guidelines, but here we have it vigorously strengthened. This means that the issue of local development and the social economy is no longer viewed at the European level as a gimmick, but is seen as lying at the heart of development strategies.

Testing jobs potential

Having said that, now a few words on the pilot scheme, such as it is. What we have tried to do with the budget of 20 million euros is to work on exploring and promoting the job potential of the "Third System" (in relation to public and private stakes). There are 80 projects currently under development, with some already at the finalising stage. We have tried to adopt a relatively global approach by developing an integrated strategy starting from the grassroots, trying also to work with support structures (intermediate structures) and, finally, developing analytical or experimental measures within a normative framework. Therefore we have 3 operational levels: the grassroots structural level, the infra structural level (consisting of the intermediate structures and support organisations) and the super structural level (the normative framework).

We are working in the three main fields which I have already mentioned and we are developing the process further to invitations for proposals. The INAISE forum is part of this process, even if each participant is clearly independent. In Brussels we think there is considerable interest in the fact that we are going part of the way together. We think that that is better than imposing whatever on whoever, and that is why we preferred subsidies to invitations to tender.

In our structure we have three main components: the "analytical" (studies) component, the "research-action" component and the "communication and capitalisation" component. The "studies and analysis" component consists of a series of research work led by institutions with which you are all familiar (CIRIEC, CRIDA, etc.). The core of the pilot scheme is made up of research-action, community-based experiments, without however going as far as financing the local micro-project which comes within the remit of the ESF. Finally there is the communication and capitalisation stage for which we have just launched a group of 7 researchers who are working with current projects, including INAISE's, in 7 fields: thematic fields (culture, social services, environment) and 6 cross-disciplinary fields: job creation, intermediate structures, support, financial problems [hence INAISE], new IT and communication.

Mainstreaming

There are already a number of encouraging results. But it is perhaps a little too early to draw any definitive conclusions. We are going to do that from the end of this year when the first phase of the capitalisation work will be completed. Of course the pilot scheme is not simply going to die a death, quite the contrary. We have already began to use the first results to give direction to ESF activities. We are currently negotiating the last phase of the new structural fund rules which will come into effect on 1st January 2000. In terms of the ESF, the issue of local development and local employment initiatives is now viewed as a cross-cutting priority, that is to say, that it may have a prioritising effect on all levels of ESF activity and in all policy fields. This is a change for the ESF, whose work more often concerns assistance targeted at (individual) beneficiaries . Now we have the opportunity to tackle employment initiatives from the point of view of a particular community. The other important point is that the ESF will be able to intervene directly to support the development of new pools of jobs, including in the social economy. This is another hopeful portent for the future.

Beyond these aspects, we are considering how to make these “cross-cutting priorities” operational. It is one thing to flag up priorities, quite another to give them adequate tools so that they can be applied (regulations and budgets). For example, what can be done to make effective the likes of micro-credit, funding of community economic development enterprises (current EU structural fund policy concept), social venture capital, guarantee funds, reduced interest rates, leasing, everything which involves not just assistance to individuals but also a boost to the spirit of enterprise and to the support structure for such willingness to undertake new initiatives.

Within the framework of the next generation of national employment plans, I do not think I am giving away any secrets by saying that next year the accent will be on local development. We shall be asking member States to do more, and to do it more effectively, to promote local development and employment initiatives within the community. All of this will be supported by the financial tools of the ESF. I hope that the future opportunities presented by this will form part of your discussions today. For us as well as for you, the issues debated at this forum will have the effect of transforming the experimental into the normal.

Workshop reports

WORKSHOP 1: The financial tools for local and community development

CO-ORDINATOR: Giovanni Acquati, *President of Mag2 Finance, Italy*

SPEAKERS: Mr Paulo Pires, *Trote Gerês*

Mr Francesco Bicciato, *Banca Etica*

It is quite difficult to access financing for local development initiatives. What might discourage potential investors? Different reasons, more or less valid: often the operators lack assets, their infrastructures seem weak and they do not always have sufficient experience over a long enough period to reassure investors.

Yet their origin and the fact that these development initiatives are rooted in the community can often prove to be advantageous when it comes to creating jobs in direct response to local needs. Be that as it may, access to finance remains essential for these initiatives to translate into new "local" jobs.

Led by Giovanni Acquati, president of the MAG2 Finance Co-operative, this workshop enabled the sharing of two different experiences of financing local or community development projects. The first, presented by Francesco Bicciato, is Italian and concerns the *Banca Etica*, a community bank. The second is Troto Gerês, a Portuguese co-operative with the twin objective of creating employment in a disadvantaged area and the development of the local heritage for tourist purposes. These two case studies of the financing of local or community development projects start from radically different bases: the *Banca Etica* creates the financial tools which are then offered to the social enterprises; Trote Gerês first creates the activity and then progressively designs the financial tools.

1) THE BANCA ETICA

This bank was created in 1994, driven by a movement composed of organisations active in social co-operation and the protection of the environment: unions, social co-operatives, local authorities, associations and NGO. As Francesco Bicciato puts it *"the aim was to provide a tangible instrument for creating a new school of thought in the fields of finance and the economy"*. These organisations were inspired by and based directly on the experience of the "Mutua Auto Gestione" MAG in Italy, and on the alternative banking system being tried out elsewhere in the world.

In May 1998, the Cooperativa Verso la *Banca Etica* finally had at its disposal the social capital required by Italian law to attain the rank of bank. Formerly a co-operative, it is now a bank, or more precisely, a "banca popolare". Italy's first ethical bank opened its doors on 8th March 1999. A member of INAISE, the *Banca Etica* takes part in the activities of the "MicroCredit summit", within the framework of the Programme co-ordinated by the World Bank to fight poverty.

Since entering the arena, the *Banca Etica* has financed enterprises working in sectors such as social co-operation, social work, international responsibility, environment, culture, civilian society and sport. But amongst the partnerships developed by the *Banca Etica* (BE), it is to collaboration with the local authorities that it devotes most of its energy.

Francesco Bicciato: *"BE's policy rules are aimed particularly at a type of mixed enterprise in which the public sector collaborates with the third system. But since administrative decentralisation does not systematically guarantee participation, BE envisages the creation of a horizontal structure (non hierarchical) of subsidiaries which would maximise the participation between citizens, social organisations and local authorities in the decision-making process"*.

That is all very well, but what would attract the State and public credit institutions to enter such a mixed and non hierarchical system? Francesco Bicciato thinks: *"within the context of the welfare state crisis, it will be an advantage to the public sector and the third system to collaborate. Furthermore the third system can generate a high level of social well-being, and can replace administration by offering social services, especially in the context of a welfare state crisis"*.

This does not prevent local authorities from experiencing difficulty establishing a relationship with the third system. *"Local authorities do not have a clear picture of the third system in terms of dimension, structure, community presence, etc. Next, we note a lack of tools to evaluate the capacity of the third system to provide efficient social services."*

Thus *Banca Etica* sees its role as "bridging the gap" between local authorities and the third system. Currently 6 regions and 190 municipalities are shareholders in *Banca Etica* and have subscribed capital amounting to 800,000 euros. In this context local authorities have become strategic partners for *Banca Etica*. Therefore it is important to act in conjunction with the third system; to this end several tools and linkages are already envisaged.

For all that, *Banca Etica* also intends to finance social enterprises which are already benefiting from public funding (European Union, Italian government, regions, etc.). Why? Francesco Bicciato: *"For administrative reasons, support from public organisations often arrives so late that it can prove to have a fatal effect in terms of the financing and management of social enterprises. Banca Etica can give credit, along with a public sector guarantee that the funding is effectively benefiting a social enterprise"*.

Another BE objective: to create a partnership with local authorities to increase the capital available for social enterprises. Social enterprises suffer from a structural problem of under-funding, especially those which support the reintegration of the disadvantaged or socially excluded. The lack of capital constitutes one of the principal reasons for the difficulty of access to credit.

So the objective is to create a new organisation whose responsibility is raising the necessary capital. The local authorities, *Banca Etica* and other partners are going to set up a capitalisation co-operative in which the local authorities will be the principal players.

"The capitalisation co-operative, in collaboration with Banca Etica, will lead a national campaign to bring together capital and donations from the members of social co-operatives, the families of disadvantaged individuals, charities, unions, churches, individuals, etc."

Banca Etica will act mainly as an advisor and will deal with the management of funds for the capitalisation co-operative. The regions will give economic and financial support to the provinces and the municipalities. The latter will put money into the fund, the capital for which will be raised for the benefit of the capitalisation co-operative.

The capitalisation co-operative will invest capital in social co-operatives. The BE will grant medium and short-term credit, up to an amount equal to that provided by the capitalisation co-operative.

Municipal bonds (BOC: Buoni Ordinari Comunali), the latest financial product launched by BE, is a new municipal tool for raising funds from citizens and redirecting them to public projects.

2) TROTE GERÊS

This project was first and foremost a local and community initiative, with the question of financing coming afterwards. Arising out of a private initiative, it was a local development project in the commune of Cabril, in the municipality of Montalegre, in Tràs-os-Montes (north Portugal), which took off in 1980.

Paulo Pires: "*After an investigative survey, we set up an action plan to address the three principal health problems: infant mortality, alcoholism and osteoarthritis. The study continued in 1983, with the support of a group of Portuguese and Belgian technicians, in the socio-cultural field and in the programming of action plans in the area of farming . The economic and food-processing situations were also analysed, and servicing suggestions were made (one-off improvements, beekeeping and fish-farming)*".

Things kicked of locally in April 1983 with the formation of the Cabril Cultural, Artistic and Sports group. Over a period of 7 years, this association has carried out a great deal of work in the form of ethnographic collections, monthly publications, theatrical and magical shows, cinema and video sessions, etc.

In 1987, given that this region had potential for high-quality tourism and that there was a serious unemployment problem, a co-operative was set up, the purpose of which was to service the region economically: Trote Gerês, "Co-operative for Leisure, Tourism and Cultural Activities". It operates in a protected zone with abundant natural resources. Hence the coined term for rural tourism and a local action plan: ecotourism.

"Trote Gerês's activity is based on co-operation within the organisation, participation in the management, whilst at the same time developing from the outset an interactive network with several organisations in the public, private and co-operative sectors, within a philosophy of local, regional, national and European linkages/dispersion."

From then on, Trote Gerês's activity extended into and became integrated into a much larger project in the region of Barroso, a project which lies within the framework of sustainable development. That was when, over and above the interaction with local and regional authorities, the question of financing arose.

Paulo Pires: "*The local development strategy followed used various funding means, indispensable to the carrying out of the projects. All the initiatives started out by being self-financed (individually and collectively), on the basis of cash contributions and money generated by the project, the whole then being supported by national or European funding*".

What precisely is the position with regard to access to finance? "*We have only very limited, or no access to traditional or private credit tools. Paradoxically, it is small local savings institutions which allow us gradually to create potentially profitable economic activity. We have no choice but to accept that, for private banks, the innovative nature of our initiatives, the real difficulty of envisaging profitable activity in a run-down community and the cost of borrowing prevent access to traditional financing.*" Paulo Pires clarifies his words by recalling that Portuguese state funding concentrates on professional training projects and job creation managed by the Ministry of Employment, while European funding has up till now concentrated on technological innovation.

The debate which now engages the local Barroso organisations concerns the timeliness and the effectiveness of a prospective Fund for Sustainable Development for Barroso. And in a very original way: "*This debate involves emigrant organisations and the population as well as local organisations (sector-based or cross-sectional)*".

But how far has local funding got? "*Alas, not very far. The population and many project proposers are unreceptive to the need for a local co-financing of projects when these are already candidates for national or European assistance.*"

Finally, when community programmes, such as LEADER, are more specifically aimed at organisations springing from civilian society, Portuguese public organisations co-ordinate and set up "associations" designed to work in the non public social economy. This means that, up till now, the proposal to create a Fund for Sustainable Development has not attracted any positive response on the part of public authorities.

3) SUMMARY

From the debate, and as already indicated at the beginning of the workshop, it emerges that these projects present radically different funding approaches for local or community development projects.

Banca Etica creates financial tools which are offered to social enterprises. These financial tools are bridging support; assistance, advice and support in the creation and organisation of "capitalisation co-operatives" (mixed investment funds allowing the building up of capital for under-funded social enterprises); marketing of municipal bonds and mentoring of municipalities in the choice of social projects supported by such funds.

Trote Gerês, born out of the initial activity, then worked at putting together some financial tools: endogenous income derived from the commercial exploitation of local resources; building up social capital (in co-operatives) through contributions of work, in kind and of money (Portuguese legislation allows this); issuing local stocks and shares (nominative value 152.45 euros) with a payback period of 7 years + 2 and an annual interest rate of 5%; public, local, regional or national (even European) funds.

These different approaches gave rise to a twin concern expressed by all:
➢ the need to think out, structure, allocate and manage social investment by truly involving the different protagonists (banks, local authorities, associations, enterprises, social co-operatives...)
➢ the need to facilitate the funded activity through a network of individuals, skills, organisations, institutions... of all kinds

4) QUESTIONS TO BEAR IN MIND

The way in which these two projects developed raise many questions:

➢ local authorities do not always understand the issues (macro-economic, structural, and those regarding evaluation and regulation) peculiar to the third sector. Now their role is a determining factor;
➢ ought we to have a segmented approach addressing particularly weakened groups at the local level (women, migrants...)?
➢ how do we articulate the socio-cultural, social... approach from the entrepreneurial point of view? Is this a cultural problem affecting some countries more than others?...;
➢ local development thinking forms part of a change taking place in national and local governance;
➢ the financial credibility of a social investment institution (although many examples demonstrate that the "poor" are better payers than the "rich" when you look at it on a large enough scale);
➢ competition with traditional banking institutions and competition between traditional SME's and social enterprises;
➢ financing the process of partnership, consultancy and mentoring;
➢ donations have to be differentiated from social investment (which requires repayment, involvement, creation...);
➢ calculating the financial risk is linked to understanding local and regional issues.

WORKSHOP 2: Linking ethical investment funds to small-scale initiatives

The social criteria applied by ethical investment funds

CO-ORDINATOR: Laura Noble, *Assistant director Uskif*

SPEAKERS: Patrick Blamoutier, *Fonds France Active*

Frédéric de Mérode, *Investment Marketing Director, Henderson Investors*

Mark Campanale, *Investment Marketing Director, NPI*

Ethical investment funds are growing increasingly popular amongst investors. The investments operate mainly through shares quoted on the stock exchange and try to compete with the share indices. However, small-scale initiatives cannot and do not wish to contemplate such returns. How do we now make these ethical investment funds available for small job-creating initiatives?

This workshop presented two initiatives, one French, the other British. France launched the FFA (Fonds France Active), a mutual investment fund focussing on the financing of unquoted community enterprises. Conversely, the British Henderson Investment project gives financial support only to quoted enterprises.

1) MUTUAL EMPLOYMENT-INTEGRATION FUNDS "FONDS FRANCE ACTIVE" (FFA)

As Patrick Blamoutier explains this mutual fund was launched on the initiative of the Caisse des Dépôts (public financial institution which manages National Savings bank funds and local community funds) and savings banks in collaboration with the CFDT (French trade union).

On the one hand there is a traditional ideology as regards stock exchange speculation. "*The principle is to invest 90% of the money raised in French company shares quoted on the stock exchange. These enterprises must conform absolutely to a policy judged proper in terms of social matters. These investments are orientated according to analysis by the agency ARESE which categorises enterprises according to social criteria worked out in conjunction with the unions.*"

What happens with the other 10%? "*The remaining 10% may legally be invested in enterprises which are not quoted on the stock exchange. It is used to supply equity capital to enterprises or associations creating jobs for distressed individuals/hardship cases.*"

These investments operate in the form of holdings, cash vouchers or promissory notes at rates reduced by 0.5%. But there is a lengthy deferred repayment period when the targeted enterprises ought to have at their disposal a financial structure of at least 500,000FF (76,224.51 euros) of equity capital. But there are also legal constraints: investment in these small structures may not exceed 10% of their equity. Therefore there is a serious limit to the acquisition of interest in a company and to the calling in of benefits on the part of the mutual investment fund.

"To circumvent this limitation and to open up the way for intervention in smaller economic entities, financing is also operated on structures with clearly identified social targets, but of small size, such as for example Autonomie et Solidarité *and NEF."*

Within this mutual fund, who is responsible for determining to whom to offer financial support and on which terms and conditions? *"The target enterprises for mutual funds are determined by a committee of mixed management consisting of union representatives and those representing social reintegration interests."* The subscribers targeted are: the managers of company pension funds, enterprise committees, large associations, institutional, and to a lesser extent, individual investors. Since its creation in May 1994, the mutual fund achieved a 75% financial performance, and 26% in 1998. The total amount raised on this mutual today exceeds 200 million FF (304,898 euros).

How does FFA evaluate the financial risk of the project being supported? *"In order to judge the degree of risk as well as identify which projects to finance, FFA relies on its local structures: 23 community funds which cover two thirds of France. At the local level the aim is to become well known, to analyse the social utility of this or that project and finally to be able to invest in initiatives tailored to their social dynamic ambition."*

To be precise, one of the obstacles facing the FFA fund is to find local partners and therefore to identify interesting ethical projects with limited risks. However, the FFA system allows it, with a guarantee of 60% of funds for small structures, to take the banks along in its wake.

2) HENDERSON INVESTORS AND NPI

Henderson Investors, a British community fund, has developed what Frédéric de Mérode, its representant calls the philosophy of Socially Responsible Investment or SRI". This philosophy rests on a triptych: financial analysis, social analysis and environmental analysis (impact on the environment).

The triptych acts as a filter. It picks out the similarities between the small-scale initiatives prioritised by Henderson Investors and the SRI developed by them. "*We favour small projects bringing innovation and employment in the field of renewable energy, management of sustainable resources, environmental technology, heavy haulage, education, health care and multi-media. We group all of these small initiatives under the common heading of* Industries of the Future."

For all that, there are plenty obstacles. First of all the financial risk incurred by investing in this type of small project has to be measured. Most often it concerns small-scale initiatives and non quoted enterprises benefiting from limited investment.

Which are the most characteristic projects funded by Henderson Investors to date? *"As examples we can quote an alternative energy project (Vesta Wind Systems), storage and reprocessing of motor oils (Greenway), waste reprocessing, sustainable forestry (Highland Timber), can and bottle recycling (Tomra) etc."*

Frédéric de Mérode thinks that a change of mentality and philosophy is desirable, not to say possible. The main thing is to get this message across: there is potential growth in small-scale initiatives. *"The market will support viable initiatives until they are successful; in the long run, that is more interesting than subsidising them. For example, Internet providers show great interest in good ideas with the potential for profit."*

Recently Henderson Investors merged with the private mutual NPI. To orientate its investments this mutual drew up a "social index". Mark Campanale, Investment Marketing Director for NPI: "*this social index is used in competition with the traditional financial market tools. On the one hand, it aims to evaluate the* ethical *component of enterprises: management of human resources, type of activity (education, environment, transport, energy, new technologies, medical technology, health). On the other, it ensures that the investments are financially profitable: as in the traditional market, the subscribers must be able to reap benefits*".

In 10 years the fund created by NPI has increased from £5 to £300 million (from 2 to 120 million euros) and it is continuing to grow. The companies in which NPI invests are quoted on the stock exchange and already have a large capitalisation.

A significant example of a company benefiting from this type of support from NPI's fund is Waste Recycling, an English recycling company: a request for a large amount of capital (at the outset this company required £10 million (4 million euros) and an "innovative" industry. Today it is one of the largest British companies.

NPI's aim is to attract traditional market investors to its "ethical" funds and to compete with other banks. Its risk management is similar to that of other financial players.

This is far removed from supporting small scale initiatives. Rather its is a matter of creating a "bridge" between the financial circuits and the masses of money they represent and social investment. Within that framework, the contradiction between the market and the social economy has not been taken into account.

The success of Henderson Ethical Fund and NPI Global Care proves that, however that may be, ethical funds can be profitable.

For the time being, Henderson's and NPI's ethical funds provide only limited assistance to small-scale initiatives given that they work mainly with quoted companies. *"In-depth dialogue with local players could encourage us to take additional risks by investing in small-scale enterprises. It is in the interest of small-scale initiatives to opt for greater transparency and communication."*

3) SUMMARY AND QUESTIONS

These two French and British experiments in the financing of small projects throw up some striking differences, notably:

➢ in the choice of investments;
➢ in the average level of investment: for the FFA fund, it is 15,245 euros per project, whilst for Henderson Investors it rises to 81,790 euros;
➢ in the mentoring and support given to the projects.

For these reasons, neither the scope of the projects supported nor the risks incurred were similar. Finally, one of the bodies (FFA) operates at local level and with micro-initiatives, and proposes a wider support (management assistance, legal assistance); the other (Henderson/NPI) operates with quoted companies and provides only financial support . Nonetheless, these two projects have a common objective: to invest in initiatives with a social purpose.

WORKSHOP 3: The role of traditional banks in the financing of the social Economy

CO-ORDINATOR: Patrick Boulte, *French representative of the European Business Network for Social Cohesion (EBNSC)*

SPEAKERS: François Capber, *Banque Populaire du Haut-Rhin (BPHR)*

Patrick Ochs, *HEC Montreal – Ochs Conseil (Patrick.ochs@hec.ca)*

1) THE EBNSC

At the outset, Patrick Boulte reminded us of the origins of the European Business Network for Social Cohesion. The EBNSC was set up in 1996 to share experiences of initiatives arising out of experiments aimed at promoting social cohesion. The development of the EBNSC rests on a "business manifesto for social cohesion", an idea launched in 1993 by Jacques Delors, former president of the European Commission. Up till now, the financial community has shown little interest in this initiative. The EBNSC has, however, endeavoured to lay the issues before them by producing a publication in 1997 entitled "Finance and employment: engaging in the debate". This publication was produced following the French response to the manifesto of "financiers committed to employment and (fighting) social exclusion".

From Patrick Boulte's point of view two major issues will have to be addressed in the near future:

- ➢ how to make the financial community contribute more to social cohesion by supporting the creation and development of enterprises, therefore jobs, by preventing business failure, therefore loss of jobs, through aligning investment strategies and sustainable development business strategies more closely.
- ➢ how to make the banking sector develop strategies which promote access to credit and banking facilities for disadvantaged groups.

2) THE BPHR-ADIE PARTNERSHIP

François Capber, deputy managing director of BPHR, then enlarged on the work carried out by BPHR (France). It is a good example of partnership between a mutual bank and a micro-credit company. *"In June 1998 the BPHR concluded a partnership agreement with the Association pour le Droit à l'Initiative Economique – ADIE, a community credit body promoting employment, which comes within the framework of the global micro-credit movement. ADIE, one of whose regional branches is in Alsace, a BPHR intervention area, set up a preliminary enquiry into requests for credit."*

The aim of the partnership is to facilitate access to credit for job seekers wishing to create their own employment. The audience was reminded that ADIE was created ten years ago using the Grameen Bank in Bangladesh as a model. It aims to assist the unemployed and those in receipt of income support to set up a micro-project by giving financial assistance and also training and advice: 4,500 euros maximum (at a 6% interest rate) can be granted to a project in return for certain guarantees. In 1998, for the Alsace region, 425 projects were considered of which 69 were eventually selected. Those promoting this partnership want to show that it is possible to reconcile the "social" and the "economic".

Who decides which investments to operate? *"The competition decisions are taken by a local committee which meets monthly along with bank representatives. The bank grants the loans (15 loans totalling 33,538,78 euros during the second term 1998) and covers 30% of the risk. The bank also takes part in meetings, set up by ADIE, of local groups of entrepreneurs."*

So here we have an example of a bank setting up a fund endowed by non profit-making bodies to guarantee short or medium-term loans taken out by partnerships working to promote the reintegration of disadvantaged groups.

This case has the following characteristics:

- ➢ a large proportion of the financial needs which justify recourse to this fund can be explained by the need for working capital; by the terms and conditions of public subsidies (including subsidies from the European Social Fund), which constitute a large part of the resources of the partnerships financed.
- ➢ the (guaranteed) financial risk is supported by the partnership sector (as it happens, the partnerships which have endowed the fund)

3) THE CREATION OF SOCIAL ADDED VALUE IN PRIVATE BANKS: A DIFFERENT STRATEGIC VISION

New relationships are developing between political bodies, institutions, organisations and private sector enterprises with the aim of promoting the economic and social reintegration of disadvantaged groups. Large-scale aid and assistance programmes are no longer sufficient in the fight against poverty and exclusion. Within the current national and international context there is an opportunity for this type of concrete action to counteract poverty and exclusion.

From Patrick Ochs's (HEC Montreal) point of view, *"the social responsibility of private banks lies at the heart of the debate. Can we consider that these private players might commit their resources to a market which, according to the forecasts of UNCTAD, will on a world scale involve 500 million people by 2005?"*. In the "developing countries", private and public operators work in an aid relationship which offers savings and loans opportunities, the outcomes of which are very significant, as much on the social level as on the economic.

Is it possible to challenge once more the traditional interpretation of transaction costs, and to create a new social added value in the private banking sector? Can this vision be considered as strategic? The answers are not obvious because a priori it is a question of conditions for growth and of allocation of resources. In-depth research on current practices, several investigations, interviews from experts and observations of private banks allow the following hypothesis to be formulated, according to Patrick Ochs: *the creation of social added value generates new conditions for growth in private banks.* From examples drawn from the experience of French, Dutch and Canadian banks Patrick Ochs has finally formulated the following hypotheses:

Financial interventions are developed according to the specificity of the groups and their respective situations. Experience demonstrates that this type of intervention is easier if the management tools are well adapted. Probably everything will have to be reworked: from the relationship with the client to the internal management structure of the bank.

The availability of direct person to person contact cannot be ignored on account of the current constraints in traditional banking organisations. Fundamentally, proximity and public sector ease of access and private sector methods of micro financing probably represent undeniable criteria for reaching those excluded from everyday forms of relationships.

A local base seems necessary, not to say indispensable. Experience proves that on a national and international level relationships become established when the players are communicating via the same language, and are meshing locally.

4) SUMMARY

Co-operative banks appear to be closer to the social economy than private banks. That is probably due to their history and their values. The growth of profits is a priority for private banks. Nevertheless, the social economy can be viewed as a real "market" and the disadvantaged as "clients". Some banks do not differentiate between clients faced with poverty and those who are not. Others develop different strategies according to the target group.

As far as private banks are concerned, two beneficial social economy "marketing" tools can be developed:

- ➢ show clients that the bank has a "social" profile
- ➢ foster new social values amongst all the staff.

What are the real motivators which push private banks into investing in the social economy? Certain hypotheses may be put forward:

- ➢ the need to put into practice new values within the enterprise by the support given to the social economy
- ➢ the willingness to form links with new clients within a developing market; the willingness to develop a new marketing approach which allows "traditional" clients to take part in the fight against social exclusion through their activities as consumers, for example, when a client uses his bank card, a small percentage is used to finance projects in the social economy.

5) MATTERS FOR DISCUSSION

a) Should co-operative and commercial banks invest in the social economy through the intermediary of partnerships?

"Traditional" banks seem to think that intermediary structures setting up programmes specifically directed at the socially excluded are creating "ghettos" amongst their clientele. From another angle, co-operative banks view these intermediary partnerships as providing experts who are better placed to hear what disadvantaged groups have to say.

Representatives from the banking sector have given another reason for resorting to intermediary partnerships: the culture of enterprise hardly invites it. Bank employees are not trained to face up to awkward situations, even although co-operative banks are in the habit of investing in the social economy. Whilst social values may be promoted with in the bank, it is technically difficult to "internalise" contacts with such borrowers. Furthermore, dealing with such social contacts within the bank would have a cost which the latter seems reluctant to pay.

b) How do we interest shareholders in commercial banks to invest in the social economy?

Lack of enthusiasm on the part of commercial banks to invest in the social economy could be explained by the influence of shareholders in the so-called – and traditional – shareholder-client-staff triangle. Clients and staff are often seen as tools for achieving higher profit. Patrick Ochs thinks this view should be tempered. In a post-capitalist society, different elements could participate in the creation of incentives which would lead to a more positive attitude towards the social economy:

- in the future, enterprises – especially commercial banks – ought to take into account their intangible resources: human capital, knowledge, brand image, etc.
- bank shareholders ought to integrate these resources into the financial structure on pain of losing some market share. For example, Bill Gates made the most on the intangible resources of Microsoft, and the stock exchange rewarded that attitude.
- The social economy sector could benefit from such a change. The young are particularly attracted by social added value. The banking sector can allow them to become players in the fight against social exclusion, for example by encouraging them to devote a part of the interest that they receive on their bank accounts to social economy projects.

WORKSHOP 4: Towards an enterprise culture

CO-ORDINATOR: Malcolm Hayday,
Community Finance, Charities Aid Foundation, Great Britain

SPEAKERS: Patrick Conaty, *Aston Reinvestment Trust, Great Britain*

Elliot Tepper, *Betel, Spain*

Faced with the high level of unemployment in Europe, the Third Sector has been prompted to find solutions. This sector should be enabled to develop an entrepreneurial culture to deal with change and to find new ways of securing its financing and its growth if it wants to pursue its social and development missions.

1) ASTON REINVESTMENT TRUST (ART)

The Aston Reinvestment Trust (ART) puts into practice three dimensions of "Community finance" developed in Great Britain.

- The multiplicity of funding sources. The capital is put up by mutual members (of an industrial provident society). But ART also borrows funds which it repays at low rates interest, and attracts donations from private individuals, churches, public institutions, associations etc. It also makes use of bank loans.
- The complementarity of different tools. ART offers different and specific financial tools to meet domestic needs, to support the renovation and maintenance of private housing, to support the start-up of social enterprises or local small and medium-sized businesses. It specialises in offering loans to small initiatives of a social character denied credit (creating one's own job, new services, small co-operatives, etc.) Once a project gets a tract record through ART, these loans can be topped up by traditional bank loans.
- Local roots. ART mobilises the energy and the commitment of the citizens of Birmingham. Its scope extends across the whole city and its activity is centred there.

"Faced with a shrinking economy (falling employment, [problems of] replacing income sources, an increase in those excluded from the banking system, deterioration in the quality of property to rent, etc.), ART multiplies the tools available to meet investment needs to which neither the state nor the market is responding."

The projects, the people and the supported businesses are also increasing their funding sources. Mr. Conaty attaches great importance to the idea of a social economy ecology, the aim of which is the recovery of the economy from the base up, by seeking out cyclical multiplier effects.

Pat Conaty's proposal can be summarised thus: *"Community reinvestment is to the local economy as rain is to the desert. With commitment by local people to investing in needy areas of their local economy, distressed neighbourhoods can be made to bloom again"*.

2) BETEL (SPAIN)

The Betel movement's experiment started in Spain in 1983 and now exists in several countries. At the beginning, a community of missionaries in Spain at the heart of the employment crisis, found itself confronted with many socially excluded people (drug addicts, prostitutes, handicapped and HIV positive people, alcoholics, etc.) who turned to the members of the religious order to advise them in spiritual matters. To help them address their other needs, the latter guided them towards the existing specific social infrastructures. However, these were particularly poorly developed.

The religious order then tried to accommodate several people by developing activities such as painting buildings and plumbing. *"Very soon we found ourselves with a veritable army."* Today, more than 1,200 people are accommodated in 110 community houses. The movement also has factories, workshops, second-hand shops, etc. The entire venture is 98% financially self-sufficient.

This experiment has some characteristics peculiar to it alone. Betel is run by members of the religious order and by professionals, but also by people who at one time formed part of its target group, but who have since trained themselves, and now have under their responsibility members of the religious order who were the originators of the initiative in the first place. Training is the capital for developing entrepreneurial capacity.

Individual elements of success play a part also, "innate" qualities, such as leadership. But the development of these qualities can also be promoted by an environment such as the "communities" created by Betel. These communities also allowed the managing of resentment which leadership can generate.

The question of responsibility is complementary: *"If you receive 100% subsidy, your economic decisions are distorted by a certain degree of irresponsibility"*.

In his first few years Betel made little call on investment: location of infrastructures, buying second-hand materials etc. Today things are different. Investment enjoys enhanced status, which is proving economically interesting in the medium term. Such development had its beginnings in a reliance on alternative funding (Triodos, CIF, etc).

Betel is developing an enterprise culture, including in social fields such as health or welfare support. The question of the legal status of social enterprises is important. An adapted status facilitates access to credit.

3) SUMMARY AND MATTERS FOR DISCUSSION

Great Britain and Spain highlight the barriers to developing a new social economy in Europe. The organisational dependency on the state for one's financial needs ("charity background") hinders the emergence of a risk and enterprise culture in the Third Sector.

The recognition of the third system is relatively unequal amongst countries. Increasing confidence, notably amongst decision-makers, must remain a primary concern. The creation of social investment tools and adapted status for social enterprises can promote the growth of a social enterprise culture. Political frameworks are needed. The proposal of a Community Reinvestment Act at the European level would be welcome.

The social security systems discourage economic initiative. They ought to allow the injection of welfare benefit money into creating one's own job or enterprise.

WORKSHOP 5: Money as a trigger factor for social and community cohesion

CO-ORDINATOR: Jacques Dughera, *President of the Federation of CIGALEs (France)*

SPEAKERS: Christiane Bouchart, *Vice-President of the Federation of CIGALEs (France)*

Michel de Wasseige, *CREDAL, Belgium*

Armand Tardella, *SEL, France*

Jean-Michel Servet, *Walras Centre, University Lumiere Lyons 2, CNRS-ISH, France*

An economy with strong social cohesion is essential to ensure local development. Is it possible to use money in such a way as to (re)create community links with the economically marginalised and excluded in society? Some concrete examples prove that this is possible.

Case studies: CREDAL (Belgium, Michel de Wasseige, manager at CREDAL), the CIGALEs (France – Christiane Bouchart, manager of a CIGALE enterprise), the Saint-Quentin-en-Yvelines SEL (France – Armand Tardella), the Time Dollar LETS (UK/USA – Tony Michaelson-Yeates – Volunteers for Humanity)

Five examples were presented: although quite different, they are all distinguished by the over-riding concern to make money a central element in social cohesion and economic coherence. They all start from the same position, a twin consideration: faced with a growth in social exclusion, can money become something else? A social means of exchange which involves rights, duties and partnerships which develop proximity policies between individuals.

1) CREDAL

This credit co-operative was created in 1986, influenced by the “bank and apartheid” movement, a movement which considered money and the concern felt by savers when their money was used in ways which did not conform to their principles. From then on it became a credit co-operative body. It has granted 600 loans since its creation in 1986 and is endowed with the money of 433 co-operators, which represents an investment of almost 495,000 euros.

"CREDAL's members come from all walks of life. Their aim is to develop responsible community savings, free from the priority of financial reward, and to promote the development of projects striving to change society." They choose to participate in the creation or the development of enterprises with a social purpose to fight social exclusion and thus to develop the third sector. For example, through enterprises which reintegrate the socially excluded, or through the action of groups, who being implanted in unemployment-hit rural zones in Wallonie, relaunch traditional trades in the region.

Enterprises with a social purpose do not aim at financial profit. *"There is only a slight chance of profit and a high risk of loss."* The CREDAL co-operator hopes to recoup his money, but equally he does accept that his capital may be eroded. CREDAL examines the proposals brought by project proposers, and gives them advice. Since quite recently, CREDAL has been financing projects by means of risk capital contributions, which the managers call "community capital". This type of finance is aimed at business start-ups or is used to fund new jobs which offer little or no material or financial guarantees.

So the financing is achieved through minority and temporary acquisition of interest, or subordinate loans at variable rates of interest.

"This represents a higher risk of non repayment than credit, a risk which not all the members of CREDAL who had deposited their savings there were prepared to run." So CREDAL then set up a financial arrangement which encompassed specific conditions to limit the risk run by the co-operative.

"We are witnessing a new type of entrepreneur share*: money contributed by the co-operator is individualised and invested in a project with the agreement of the co-operator. He agrees to carry the risk of non repayment up to the limit of his contribution. So a direct link exists between the financial contributor and the project. This gives a meaning to the money. If the co-operator does not receive any direct financial reward, he is nevertheless participating in the creation of social benefit."*

Finally, an individual will be charged with following up the project: a benevolent administrator representing CREDAL, and if possible also someone who is close to the project. His function is to support, mentor and monitor compliance with the commitments undertaken by the enterprise receiving the financial support (social purpose, management).

2) CIGALES (CLUBS D'INVESTISSEURS POUR UNE GESTION ALTERNATIVE ET LOCALE DE L'EPARGNE)

CIGALEs invest in enterprises with the status of limited liability and plc's. They allow individual citizens to become involved in supporting business creation. *"On a monthly basis, about ten people pool a proportion of their savings and invest the capital in very small businesses. By their flexibility and their capacity to intervene on a micro-local scale, they promote and strengthen the relationship networks with the aim of really tackling economic problems."*

The profiles of the savers are varied and their skills many. *"Creating a collective entity which shares the same purpose allows a sharing of knowledge and a growth in the skills of each member. Furthermore, in the case of a CIGALE composed of employees of the same company, it is possible to establish different links between the individuals involved, which breaks down the (barriers) of compartmentalisation of services or hierarchical positions."*

How does capital acquisition operate? *"The capital shares acquired in the companies do not exceed 33%. Since 1983 when they were set up, CIGALEs have invested 13 million FF (2 million euros) in 350 enterprises, having at their disposal a capital of 50,000FF (7,692 euros) to 200,000FF (30,500 euros). The aim of the 1,000 members of CIGALEs is to invest to achieve social benefit."*

From the point of view of partnership with the enterprise, the CIGALEs contribute technical support and management assistance. This is a way of tackling the loneliness of business entrepreneurs. It is worth noting that there is a direct link between mentoring and obtaining bank loans.

3) SEL (SYSTÈMES D'ECHANGES LOCAUX)

Armand Tardella summarises the functioning of a SEL as follows:

- multi-lateral exchanges are itemised by using an internal non-convertible unit of exchange, which could be interpreted as money. Each member of a SEL owns an account in internal units;
- this money does not earn interest;
- the sum of the accounts is nil. So there can be accounts in credit only when there are accounts in debit. Thus members are authorised and even advised to ask for services even if their account is in debit.

At Saint-Quentin (Yvelines), the SEL set up a local unit of currency, the "pavé". This is a currency without interest which rests on the exchange of services. It is *"trust which creates the value of the money"*.

After a year in operation, the management of the SEL established that members found it difficult to ask for services when their account was in debit. It was clear that if all members waited until their account was in credit, the system would jam up. So in order to make the system of exchanges more fluid, the leaders of the SEL had to set up a new system of exchanges, one which was more fluid. How ? *"By the injection of 200,000* pavés *for the 150 members of the SEL. On this sum of currency a tax of 3% is deducted monthly from accounts which are in credit, to the benefit of accounts in debit. This is called* melting currency. *In this way the initial debt is repaid. It is a form of redistribution of profit."*

This system has been functioning happily since I January 1997. The average flow of exchanges per member was immediately multiplied by 3.5, and has remained at this level.

Do SELs think that a wider public could benefit from their financial tools and philosophy? *"Yes, transposed to the macro-economic level, the consequences of such a new currency system would be considerable. With a deduction on positive balances (stock) and not on transactions (flow), the repayment of debt (budgetary deficit) linked to the implementation of policy would always be assured. The period of repayment would be independent from the amount of the debt and uniquely linked to the level of deduction. The* melting currency *system would stabilise the market economy, which is, by nature, unstable. Finally, economic choices would be second to political choices, and not the converse."*

4) THE LETS (LOCAL EXCHANGE TRADING SYSTEMS)

Created in 1992 and 1993, there are 400 to 500 LETs (English equivalent of the SEL) in the UK today. They are continuing to develop. They are essentially composed of middle class people in poor areas. The principle of LETS is to exchange services of one kind for services of a different kind by means of a cheque currency, fictitious money, as it were. Services exchanged range from baby-sitting through repair work to language courses, etc. All LETs do not necessarily function in the same way, you can have to pay 6 to 8 units per hour. But in all LETs, after two or three months, the cheques are grouped into credit/debit columns to balance the accounts. It is a method of working which claims to be transparent and local.

A debate is currently in progress in the UK: the social security agency considers that above 16 hours of exchanges, there is a benefit to the LET member. In such cases, the income representing the qualifying additional hours can be deducted from unemployment benefit. However, the British government thinks that LETs could be supported and taken into account within the framework of a “third economic way”. There is to be a meeting between representatives from LETs and members of parliament on 14 June 1999.

5) TIME DOLLAR

In the USA, Time Dollar represents an exchange of services between individuals by means of a system of calculating the time given by one person to another. There is no local currency. Time Dollars were created to be “hooked on” to the market economy. Their organisation is more centralised than in the UK.

6) CONCLUSIONS

The methods of credit and “financial” exchanges outlined in this workshop are very different one from another. On the one hand, CIGALEs and CREDAL do not abolish the value of money, but aim to radically transform its purpose. On the other hand, SELs, LETs and Time Dollars aim to modify the structure of the distribution and exchange of currency, if not abolish it by replacing it with a neutral unit of exchange, something “melting”.

All of these methods of financial exchange embrace:
- a radical criticism of economic development methods
- involvement of the citizens they represent
- concern shown for economic initiative, particularly for the disadvantaged.

WORKSHOP 6: The contribution of social investors in the creation of employment and micro-enterprises

CO-ORDINATOR: Benoît Granger

SPEAKERS: Vigdis Björgo, *Hordaland Network Credit, Norway*

Alan Read, *Prince's Trust, Great Britain*

Maria Nowak, *ADIE, France*

Investors in the social economy create jobs by financing small businesses. How do social investors contribute to the creation of employment in the service sector as well as rural sectors of Europe? How do they achieve the regeneration of local communities and the development of local economies? Three cases were presented and discussed.

1) HORDALAND, NORWAY

Hordaland County council has initiated a network of micro-credit establishments investing in the west of Norway. There are currently about 70 groups in Norway adhering to the principles of the Grameen Bank in Bangladesh. The Grameen Bank model has two distinct characteristics: it gives access to finance on the one hand, and on the other, it provides a network of advice and education services. At Hordaland the second characteristic is an integral part of the micro credit model. The aim is to develop, in local projects, a network of advice and education services.

The current economic situation in Norway is such that very few people would be refused the necessary loan at the start-up stage of their business.

Why then was a micro-credit organism created? "*We recognised the growing need for a support network for people at the business start-up stage. This need is particularly marked in rural areas. In spite of regional and national measures designed to halt it, the rural exodus has only increased during recent years, to such an extent that today several localities find their situation critical, and such a process of centralisation makes the development of an enterprise culture even more difficult. Because of increasingly migration of women and youth from rural areas to the cities the project focuses on women. The business ideas of women entrepreneurs are often characterised by low risk, very small scale and long term business development. Both private bank system and public financial institutions are not designed for this kind of entrepreneurship.*"

By means of the project *“Hordaland network of credit establishments”*, the financial group created micro-credit groups whose targets and approaches could vary. Hordaland’s aim was to develop 3 models:

Model A

This is the most traditional model, very closely allied to the principles of the Grameen Bank. Its target group: women in rural areas who are starting up or developing their projects. The activities and organisation are as follows:

- 5 women form a micro-credit group. The group receives a sum of 23,711,50 euros (200,000 Norwegian Krone) and the members of the group can each borrow a maximum of 5,934 euros (50,000 Krone);
- the group meets regularly to take stock of how the network is developing;
- the group can take part in workshops and seminars on business management, marketing and accounting.

Model B

This model targets graduate women particularly, from universities or higher education institutions. *“In this precise case, our aim is to stimulate the spirit of enterprise in a segment of the population which rarely develops independent businesses. Moreover, we intend in this way to contribute to the creation of businesses run by educated women wishing to settle in a rural area, but whose chances of finding work in their specialism are slim.”* The majority of women entrepreneurs tend towards working in the service sector, which is the most dynamic in Norway and in the west.

Activities led by Hordaland will be as follows:

- running a group of seminars and workshops which will enable them to develop the necessary skills, ranging from the identification and basic evaluation of projects to accounting and marketing;
- putting them in touch with “mentors”, who will guide them through the development of their own business.

Model C

This model deals more particularly with immigrants living in Bergen. There are many of these who have difficulty finding employment and who wish to get information on setting up and managing a business. *“Bergen took as its inspiration a similar model applied in Oslo, the capital of Norway. Activities undertaken were aimed at creating and promoting a minimum of two micro-credit groups.”*

These three models are based primarily on the training, support and lending for groups, not individuals.

2) PRINCE'S TRUST – BUSINESS (GREAT BRITAIN)

The Prince's Trust – Business (formerly The Prince's Youth Business Trust) is one of the largest subsidiaries of The Prince's Trust, the largest British charity organisation addressing the needs of young disadvantaged people.

The Prince's Trust – Business helps people aged between 18 and 30 to set up their own businesses. For the most part these people are looking for a job. But many are experiencing other related difficulties. *"Specific programmes have been developed for people who have particular difficulty in entering the job market, such as young handicapped people, members of ethnic minority groups and young ex-delinquents. Such young people receive help, provided they put forward a business project and can demonstrate that they have already tried, and failed, to get funding from another organisation."* The "Trust" must be their last resort.

There are three forms of support: small "soft" loans, donations to aid start-up and the availability of a "tutor" for a maximum of three years. The granting of financial support is dependant upon the presence of such a "tutor".

Once the business is underway, another form of support is available: training in marketing, free advice on accounting and regulations, and access to other services can be free or at a reduced rate.

The headquarters of the organisation is in London, but the services are available at 50 offices throughout the country and assisted by 39 regional committees which are responsible for granting donations and loans, and appointing tutors. There are in all 300 employees and 7,000 volunteers.

What results have been achieved by the Prince's Trust? *"Since its creation in 1986, the Prince's Trust has helped more than 40,000 young people to set up their own business. For this year the aim is to assist 4,400 young people. Out of the total who have received help, about 60% have passed the three year milestone. 50% of those whose businesses have ceased, have entered the traditional job market."*

Whilst most of the businesses created have remained small, some have developed considerably. The 10 largest businesses created with the help of the Trust, have a total turnover of £88 million (131 million euros) and employ more than 500 people.

How does the Prince's Trust remain profitable, given the number of services granted? *"Those who donate to the Trust, in addition to cash deposits, often contribute also to the costs of salaries and location. They also offer gifts in kind. Thanks to them and to the devotion of 7,000 volunteers, the Trust is in a position to offer services in an exceptionally profitable way.*

Thus, in terms of net cost, the creation of a small business amounts to only £3,500 (5,200 euros), after the repayment of the loan, which far less than the cost of unemployment benefit for a year."

There is always a question with regard to the source of funding of a charitable organisation. "*The trust spends annually about £15 million (22,645 million euros), and its funds come from several sources, including private sector companies, affluent individuals, trusts and foundations, local authorities and the European Union."* Finally the British government is a large contributor and currently participates in the work of the Trust to the tune of £3.5 million (5,284 euros) per year. Under the terms of a new agreement, to be announced shortly, the government would release a sum of £50 million (75,5 million euros) over the next 7 years, in order to match a sum equal to that to be collected from private donations.

How does Alan Read evaluate the impact and the social function of the Trust? *"As far as it is able, the Trust clearly contributes to the reduction of unemployment and social costs, to the inclusion of young socially excluded people, to employment diversification and to economic regeneration."*

3) ADIE

Created in 1989 as a not for profit association, ADIE is active throughout almost the whole of France and provides loans up to a maximum of 4,500 euros for 2 years at a 6.5% rate of interest apart from exceptions. ADIE also organises "creators' circles", mutual aid groups.

Maria Nowak, president of ADIE, stresses two key points which make this form of micro credit successful. On the one hand ADIE's work proves that one has be confident about the entrepreneurial capacities of the socially excluded. For their projects to succeed they require professional mentoring, advice, training and follow-up. On the other hand, ADIE engages in a very close partnership with the banks, especially social economy banks (mutuals and co-operatives). ADIE does all the instructing and follow-up work for loans, but most of the micro credit is set up by the partner banks.

Enterprise creation is not a solution to the problems of all socially excluded people: but when it is (suitably) adapted it a far cheaper solution for the authorities than the maintenance of social security benefits.

4) SUMMARY

All the micro-credit models looked at are inspired by the Grameen Bank but only the Norwegian model has retained management by group. The question does not amount to selection and mentoring, but extends to management of the group, the time and the local base... In the three cases, the average amounts loaned are the same: about 4,500 euros. The period of the loan is in the region of three years. The rates of interest are lower than market rates (between 3% and 7%). The service comprises project mentoring (consultancy, assistance...) and follow-up during the period of repayment of the loan. The approach is local, either by decentralisation or by local implantation. Even though it is not yet possible to evaluate the Norwegian model, the rates of recovery of loans are high overall.

Nevertheless, the differences between the models are quite important, essentially in terms of context. Where the Prince's Trust – Business is consistent with the model of a charitable organisation, a last resort after refusal of a loan from banks and benefiting from important institutional recognition, and where ADIE develops partnerships with numerous banking institutions based on co-operative movements and with communities, the Norwegian model centres itself more on interpersonal exchange within the credit group and between groups.

For the three social investors, it seems that the question of the scale of such support practices goes without saying: there is no problem of access to capital, indeed there seem to be ample opportunities. There would also be a progressive opening up of the banking world, at least at the headquarters level.

Likewise, there is the proof that the cost of mentoring and covering the risk is much less high than the annual cost of unemployment benefit (for one individual). The Prince's Trust values the cost of creating a job with its help at 5,000 euros, and ADIE at 2,000 euros, whilst the annual cost of unemployment benefit for one person would be 18,500 euros.

In short, for the three investors, advice and mentoring are as important as money; the advice is free (the cases studied mostly used volunteers); there is a demand (15% of young unemployed people have ideas for potetial projects).

5) ISSUES FOR DISCUSSION

The three investors made, nevertheless, a number of negative points which require to be addressed by the public authorities:

- ➢ despite a high level of loan repayment, losses need to be publicly supported;
- ➢ the aim is to make money circulate. Long-term lending is not part of the plan, especially as that would increase the costs of mentoring;
- ➢ demand would increase if employers' national insurance contributions were lowered;
- ➢ the risk of losing one's unemployment benefit if one sets up one's own job is a constraint which requires changes in the social security system, or in the status of the person creating the job, which, for a short period, would allow him to continue to draw his unemployment benefit and earn modest amounts from his new job;
- ➢ structural funds grant only subsidies, and the European investment bank lends only large sums. The gap needs to be filled and intermediate lending possibilities need to be created; hybridisation of the public and private resources for these financial tools is the only way to ensure their growth and development;
- ➢ the public sector needs to take seriously the notion of self-creation of jobs. All the available studies indicate that the greatest reservoir of potential jobs in Europe is in the service sector, and a large proportion of these come about as a result of individual initiatives.

WORKSHOP 7: The role of public authorities in the growth and development of social investment

CO-ORDINATOR: Koert Jansen, *Triodos Bank, Netherlands*

SPEAKER: Bart Jan Krouwel, *Rabo Bank, Netherlands*

Public authorities can play an important role in the development of social investment, at all levels. Measures can be taken in the fiscal field, such as those put in place by the Dutch government which has exempted investment in environmental funds from tax. Other proposals could grant tax reductions for investment in projects with a social purpose, or modify the social benefit system to allow people to get involved more easily in the social economy sector.

Public/private partnership is not an easy thing. Quite a number of ambitious partnerships, supposedly well established, do not give the anticipated result. However, in the Netherlands, a type of public/private partnership has borne bounteous fruit: the Green Fund. Thanks to a relatively simple amendment to Dutch fiscal law, funds of about 1 billion euros (more than 2 billion guilders) have been raised in the space of a few years, as much by social economy banks as by traditional banks. This capital, originating principally from private individuals, is invested in sectors in which traditional banks until relatively recently have shown minimal interest, for example organic farming and renewable energy.

Why not envisage similar measures for investment in the social sector, in terms of employment creation, promotion of the arts, education...?

The Dutch experience has been briefly described by two of its principal players: Koert Jansen, policy adviser at the Triodos Bank, and Bart Jan Krouwel, director of the "Sustainable Development" department at the Rabo Bank.

In 1990, the Triodos Bank launched a green fund: The Triodos Groenfonds, the first Dutch green fund, which acted as a model for the later green funds regulation. This fund currently amounts to a total of 68 million euros (150 million guilders). The Triodos Bank is presently in discussions with the Belgian authorities on the basis of launching a similar regulation for the social sector in Belgium. For its part, the Rabo Bank is the first traditional Dutch Bank to have launched a green fund. The total volume of these funds is approaching 363 million euros (800 million guilders). During recent years, the Rabo Bank has invested heavily in social and environmental activities.

1) GREEN FUNDS

In 1995, the Dutch government adopted in close consultation with Triodos Bank, regulations on "green funds", on the basis of which the banks can lend money for projects at a low rate of interest. How does this work? As a general rule, investors receive for example 5% interest, but when tax is deducted this falls to 2.5%. Since the bank deducts 1% in advance to cover its costs, the rate of interest applying to a loan is 6% (5%+1%). The government having agreed not to tax investment in "green" sectors such as wind energy, organic farming or construction conforming to environmental standards, investors can count on a net "investment return" of 3% and the resulting rate of interest on loans can therefore be fixed at 4% (3%+1%).

As the law indicates, the money must come from private individuals.

Nowadays projects in the environmental field are viewed as interesting investment opportunities. In the Netherlands, it being given that all major banks have their own "green fund", there is strong competition to attract investors and projects. Thus, via a simple fiscal means, the government has succeeded in stimulating investment in "green" projects. For Koert Jansen, *"this technique could become a model for investment in the social economy across the whole of the European Union"*.

2) MATTERS FOR DISCUSSION AND QUESTIONS

The example of Dutch "Green Funds" gives rise to many questions:

- ➢ such legislation is difficult to apply in the 15 member states given the absence of fiscal harmonisation;
- ➢ governments must not drive this matter. The financial sector must shoulder its responsibilities in social matters by suggesting new tools;
- ➢ on the other hand, some participants think that the current wave of privatisation in the banking sector (in France and Spain for example) constitutes a risk for social cohesion because that could imply stricter legislation when the sector is privatised or mixed.

As a result, there would seem to be at least two opposing arguments in the matter of social investment:

- ➢ the (private) banking sector has the responsibility to invest in the social economy; state subsidies disrupt the market;
- ➢ privatisation could lead to the disappearance of the current co-operation between the authorities and the public savings banks, especially at the local level.

Alongside low interest rates for social and environmental projects, another idea could be to pay (or not pay) a part of the interest to the investor according to his "behaviour" in the aforementioned fields. Participants have indicated that this idea –realistically speaking– must be applied at a broad level with the support of banks and governments. In the United States, the "Reinvestment Act" obliged banks to reinvest in locally based projects, particularly for the housing of Afro-Americans. Even if this type of legislation can not be adopted such as it is at the European level, it seems that there is an important market for investment in housing projects.

However, the question of harmonisation of legislation within the European Union is fundamental to the issue: will this harmonisation lead to more social cohesion?

Another question concerns the profitability of these Funds for the banks, given that only1% is deducted to cover banking costs. According to Koert Jansen and Bart Jan Krouwel, an average of 1% is enough to administer the Funds. However, this would be too low, the projects would concern only micro-enterprises requiring small-sized loans. In a private bank such as the Rabo Bank, the strategy which prevails at local level in the Netherlands is totally different to that played out at the international level, where fierce competition does not allow the bank to deduct only 1%.

A further question arises: how does one define a "green" project and ensure that the project properly fulfils the criteria? "*In the Netherlands, the negotiation process with the government has led to rather strict criteria. It was two years before the regulations came into force on 1st January 1995. As far as organic farming is concerned, an official national foundation has the responsibility of certifying that farming is actually* organic. *Since this institution is highly qualified in the field, banks trust it when it certifies that a project conforms to the criteria.*"

What happens with regard to unemployed people who want to set up their own jobs? In the United Kingdom, the rigidity of the social security benefits legislation gives rise to a situation where the unemployed risk losing their benefit when they try to create jobs for themselves. In Belgium and more recently in France, the legislation allows the unemployed to continue to receive benefit or to retain their unemployed status at the same time as setting up a job in the social sector.

In order to help the unemployed to access start-up funds, institutions can play a mediating role between the promoter of the project and the bank. How does this work?

- those who wish to support the unemployed person in his desire to set himself up in work (for example friends) give money to a foundation for a fixed period (for example five years);
- the bank lends money to the foundation at a low rate of interest; the loan is guaranteed by the money given by the unemployed person's friends;
- during the five year period, the foundation gives money to the promoter of the project in the form of grants or loans at low rates of interest. In the case of grants, the promoter can thus start up and develop his job without having to pay out any money.

In Italy, loans are granted directly by the banks whilst the foundations provide only the necessary guarantees, and this, thanks to the donations received.

In France, according to the Law, private institutions - such as foundations - not having financial institution status, are not authorised to lend money.

Many participants have stressed that, in this process, the unemployed must have access to technical assistance because they rarely have the classic profile of "company manager". This training and technical assistance role could be undertaken or financed by the public authorities, notably at the local level.

WORKSHOP 8: Strengthening local economies

CO-ORDINATOR: Dan Wagman (Barataria, Netherlands)

SPEAKERS: Ruth Anderson

Bernard Lietaer

Edgar Kampers

Even areas which seem the most disadvantaged are capable of raising funds in a substantial way. Nevertheless, in certain localities, the small amount of money raised is often invested outside the local community. New tools have been created allowing this wealth to be retained within the community. They strengthen the links between local social economic organisations and the communities.

1) THE BARATARIA COMMUNITY EXCHANGE NETWORKS

Can local currencies be a means of meeting local needs? From a workshop simulation, it emerges that the game of supply and demand for services (barter) is tough work without a unit of exchange.

The four speakers are all involved in the Barataria Local Exchange Trading Systems (LETS/SEL) project. Their Spanish partner has developed a local project, details of which were presented by Bernard Lietaer. The Spanish LETS has 50 members: individuals, associations, small and medium-sized enterprises and public authorities for an area with 4.5 million people. Upon joining the network each member receives a cheque for 350 euros which is the internal means of payment. *"The system is democratically regulated to avoid too many heavy debts, and a reserve fund has been set up. The driving element there is interpersonal confidence. It is economically interesting for the members, and effective in terms of satisfying supply and demand."*

Bernard Lietaer makes a case for complementary currencies. His plea is illustrated by several acknowledged examples. He shows how it would be possible to imagine in twenty years time a second economic channel or system, a "virtuous circle" parallel to the classic economy and connected to the global financial sphere.

The growing liberalisation of commercial and financial exchanges is perceived as a major factor in economic growth in Europe. But, *"the benefits of this growth do not accrue to everybody. Many rural or urban communities suffer from a high level of unemployment and a worsening social situation"*.

For Bernard Lietaer, the level of commercial activity in the industrialised world is determined by the amount of money in circulation there, money which most of the time comes from outside the region or the town where it circulates.

The traditional solution to this problem is to try to earn more national currency. In theory, that could be done by increasing the quantity of goods and services sold by the district to the outside world. But in practice, that is attempting the impossible, since every town and region across the world is trying to do the same. *"Furthermore, if the district succeeds in selling more goods and services on the external markets, the extra money earned will tend to flow out of the system as quickly as it comes in. This means that a marked increase in sales is necessary before this district can substantially increase its stocks of national money and consider adequate local exchanges. Even if the district succeeds in replacing a sufficient proportion of imported goods with those it produces, the link between economic activity and the flow of money from the outside will be maintained. There is another option, which consists of generating local transactions, independent from the level of influx of money from outside, by using a special currency. After all, national currency's only role is as a measuring instrument. It is a way of ensuring that no one takes out more than he puts in. The aim of complementary currencies is to reduce the dependence of those who use them."*

In 1998, almost 40 pilot projects, supported by the DG-V of the European Commission, began to test the capacities of the Third System to create jobs. The four Barataria community exchange networks are part of this programme. *"Barataria's ambition is to create an exchange network which brings together Third Sector entities, public institutions, small businesses and professionals. The method used is based on community monetary techniques which have already been tried out: the Swiss WIR system, bartering, LETS and scrip. The aim is to promote local economic development by providing more means for harmonising local needs and local resources."*

For Bernard Lietaer, the success of this type of initiative depends above all upon taking into account and exploiting local economic factors, demography, and legal, social and cultural factors.

What is the basis for Barataria's current success? *"The sole aim of our networks is to allow economic exchanges to be realised. The buying power that it generates increases because the participants themselves (rather than external lenders) provide interest free loans to their partners, which allows an increase in exchanges. In the long term, such a development has to play a part in the creation of jobs, a better link between local needs and resources and, finally, a more community-based type of economy."*

For its founders, this is not strictly speaking a LETS: its members are not exclusively households, and it functions at a regional rather than a community level.

So how does this network of community exchanges actually work? *"The network is defined as a system of interest-free loans. Its members are frequently led to discuss the value of time when fixing the prices of goods and services in the new money units. The system does not deduct commission on payments. It prefers to seek ways of rewarding and encouraging participation. Invoices issued in new currency are subject to normal taxes (VAT), but these taxes are paid in official currency."*

Finally, the developers of Barataria consider that these networks are a prototype for future currency creating mechanisms. For them it is an important step in the democratisation of currency creation. These exchange networks allow the users of currency to create it for their own real needs.

2) THE "JAK BANK"

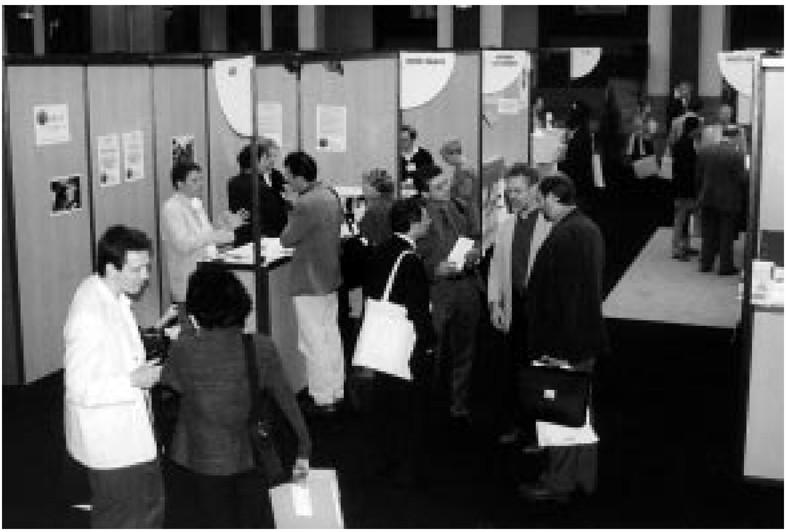
A second case study was presented: the Swedish JAK bank (for "Earth, Work and Capital"). JAK works without the notion of interest: a deduction is made on loans, but only to cover administrative costs and insurance against risk. There is no return on capital or on deposits. JAK has 21,200 members in the whole of Sweden. It comprises 24 sections and a main office which functions as an electronic bank.

Partnerships, notably with locally elected representatives, allow the advancing of JAK loans for small and medium-sized businesses, for which these formula are better marketed than loan proposals from other banks. JAK also grants specific loans to projects of an ecological nature which are aimed at providing long term collective profitability.

3) SUMMARY, QUESTIONS AND ISSUES

Even if the question of the strengthening of local economies by the LETS has moved to the second stage, some important issues emerged from the floor of the forum.

- ➢ Complementary currencies are tied in to the evolution of salaried employment. They flourish in situations where there is a high rate of unemployment, and foreshadow an alternative social organisation to salaried work.
- ➢ When a unit of account refers to hours worked, access to the system by those in receipt of benefit is limited, short of a decision by the authorities which recognises the increase in value of LETS in terms of people entering the job market or of complementarity with traditional social mechanisms.
- ➢ The difference must be clear between these networks and systems or specific means of payment created by the state to “get the unemployed back to work”.
- ➢ It is important to qualify fairly the increase in value of LETS: quality of life, integration, co-operation, redistribution are different issues.
- ➢ These issues can also be taken into account by the traditional monetary system which, through social investment can develop jointly responsible alternatives. The LETS must not discredit these efforts.
- ➢ Finally, more specifically in relation to JAK, such a system raises questions as to the notion of private ownership (for example of land and natural resources), as well as in relation to the motivation people have for participating in alternative financing mechanisms, etc.



Delivering the Finansol awards

Finansol is an association which brings together financial establishments, local operators and qualified individuals. It is an information centre for community finance and a seed bed for the creation of new community finance tools. The Finansol label is granted to savings products managed by banks as well as community finance operators.

It guarantees:
➢ the use of savings for the purposes of economic reintegration, for the creation and development micro and small enterprises for or by the socially excluded
➢ transparency in the utilisation of funds
➢ morality and professionalism amongst the operators who use the savings

Claude Alphandery, *president of the Conseil National de l'Insertion par l'Activité Economique and of the Association des Fonds "France Active"*

What kind of relationship is there between the traditional banks and the financial tools of the social economy?

To put that question into context, I would like briefly to refer to my personal career. After a actively militant commitment to the resistance and then the communist party, I experienced a sort of counter commitment in the economy, and I created and then directed for almost twenty years a bank which gained a considerable reputation and which created long term mortgage credit. Two words at one and the same time convey the intensely absorbing nature of banking, namely imagination and rigour. But after the exceptional growth and development of this tool, of this bank, I soon began to feel the constraints of this world such as we know it.

Which constraints? In the current banking system, smallness is difficult to handle, whether referring to individuals or small businesses. One of the rules of the game in banking is never to take things on trust, which is not the best way to create social bonds. No doubt this has something to do with my assuming a "militant" mantle again. It is based on a critical analysis of how our world functions. Of course the competitive producer society that we all know brings great wealth, but it is a society that shows no mercy to the weak, a society that relentlessly destroys social bonds. I do not have to elaborate on that – you are all well aware of the fact.

And yet it is not true that economic growth leaves room only for mega-groups, mergers and speculation. There is also a place for small projects, indeed examples exist, which accompany, complete, not to say modify, the totality of economic development through the social investment incorporated in such projects. My own thoughts and my experience, arising out of an assignment from the Rocard government in 1988, have led me to two conclusions. Projects require banks, not only to supply their financial needs but also for their ulterior development. At some time or other they will need cash management, an overdraft. It is through the bank that they will succeed in placing their project within the framework of economic development.

But it is not immediately obvious that the project proposers and the bank should get together. Project proposers are often very inhibited. They find it very difficult to go and find a bank. The banks are unadventurous when it comes to projects they do not feel comfortable about, in terms of the risk attached to a project proposer who is not one of them, and because the cost of management is inverse to the size of the project. But I think that this difficulty of getting together can be overcome by means of a guarantee which reduces the risk, and also by means of educating, following up and mentoring the borrower, which will facilitate the management process.

The mission of the Association des Fonds “France Active” is to provide this guarantee and to ensure that this education takes place. Clearly, this is nothing revolutionary. Others are doing it, notably amongst ordinary small and medium-sized businesses, but “France Active” is committed to doing this work in areas of social exclusion, that is to say, to support seriously disadvantaged people, whether they are setting up their own micro-activity, whether it concerns jobs aimed at reintegrating people or communities, or whether it involves local development initiatives engaging them as employees.

Our idea of creating not a national fund, but a local fund, is aimed at just such a clientele. First of all, because it is in the local area that we can really look at the project proposals, evaluate the risk, mentor the proposer, with the help of volunteers, partnerships, research consultancies, a whole arsenal of support which lends credibility to the process. Next, because it is in the local area that funds can be raised, funds which constitute a back-up line of credit and which are deposited in a national finance company, which in turn comprises the back-up lines of credit earmarked for each of its funds. If there is a loss in Nord-Pas-de-Calais, it is the “Nord-Pas-de-Calais” back-up line which is debited. That is getting rather technical, but it is an extremely important lever, since, in the event of one loss disaster in three loans and supposing that the guarantee covers 65% of the loan, with 1 million, that is in fact 4.5 million loans which are covered. That is the well known multiplier effect of this system.

The result of this almost ten year long enterprise is that we have, not without difficulty, finally managed to win over large banking networks, the principal networks of the social economy, and without too much difficulty (they were created for this purpose) the Caisse Solidaire of Nord-Pas-de-Calais. So there is a loan system which works. In 1998, we considered 1,400 proposals and made 450 interventions worth about 6,860 million euros (45 millionFF), representing an average of almost 15,250 euros (100,000FF) per intervention. In some cases this type of system can be perfected through the EDF foundation "Action for Employment". For an entire category of these loans there is a reduction which brings the rate of interest to 0%. That is what bank loans are for. It is worth remembering that loans play an essential role in business creation, particularly in the case of this type of client and this type of project proposer.

Of course you could argue that the banks can be tempted to be more exacting with the social economy than with traditional enterprises. In fact, we generally offer guarantees of the order of 65%, and in some cases go as high as 80%. In our experience, at the beginning the banks were not familiar with this system and we thought we had to push the guarantees up to a very high level.

But that is wrong. The banks need to have as negotiators people who have a particular knowledge of the proposal because the "final" clients are not regular customers and they are not used to this culture. For the banks, it is almost a way of externalising a part of their function.

From this point of view, the banks wish of course that whoever intervenes brings with him a guarantee which is the proof that he will do things properly. But I think the banks are not over exacting.

The problem is not only to bring this guarantee, but also to bring specific and meaningful education and mentoring. If the banks are reticent, it is not only because of the risk, but also because of management costs. For us the cost is all the more heavy because it cannot be covered by a guarantee commission. In short, this trade has to rely on patronage.

But it is not enough to consider loans. Balance sheets and equity capital also come into the picture, because too much credit means too many financial charges and because shareholders' funds are required to reassure the banks. Even with security and a preliminary briefing, a bank will not take a risk on a project where the equity balance proves to be insufficient. Therefore I think that loans and equity capital are mutually dependent.

As far as equity capital is concerned, let's be brief and blunt, for modest projects, there are the CIGALEs, hugely interesting in that they represent a rallying together, a social bond in the local area and in precisely defined districts. For larger-scale projects there is a whole range of tools. In France we have the Mutual Investment Funds. Some are profit-sharing, others are venture, yet others, ethical.

Profit-sharing funds share the interest between the subscriber and the social utility. The ethical and venture funds share the use, that is to say, that it is a part of the use which is directed towards projects aimed at social reintegration or the community. Even allowing for France lagging somewhat behind its Anglo-Saxon counterparts, investments are clearly not very easy for these funds, which have to raise large sums of money. The savings, even if ethical, must be assured, because if a smaller return is accepted, then at least the security and liquidity of the investments should be clear. Uses to which these mutual funds are put should be of social benefit, but also sufficiently safe so as not to endanger the capital invested.

These funds often require bridging loans These loans are generally found in local venture capital companies, of which some are access-for-all tools, others being real community tools. There are community tools specially created for this purpose. “France Active” set up an investment company “Capital Risque Solidaire”, which it is in the process of reviving. In this region there is the well known “Autonomie et Solidarité”.

There may also be more traditional tools, part of whose use is directed towards the community. Mutual investment funds can fit perfectly with community projects. To be sure, a law establishing a European version of the Community Reinvestment Act could provide a source of equity capital. It is a very good law. Funding it must be assured. If this law functions well in the USA and if the banks have not resisted it, it is because of the existence of Community Corporations, which enable people to pick out, analyse and evaluate projects which are submitted to them.

Without this instrument, the banks will never see how to use the money raised in the local area. We must not put the cart before the horse. When all is said and done, it is not the fund-raising which is the difficult thing for mutual investment funds (we are setting up the “Insertion et Emploi” fund), but putting them to proper use, that is to say, to support projects in the local economy which are also economically valid. Dialectically this brings us back to fund-raising.

If there is no suitable use, in the local area, that is to say geographically close to the investors/savers, the game is lost at the outset.

In conclusion, I would like to emphasise there is a very real ethical circuit of money in which certain banking networks are beginning to take their place, ethical circuits, because they are managing to bring together money and donation. It is however, a very fragile ethical circuit. It needs to be labelled if we are to avoid a downward drift, a lack of a professional code of ethics, if we want to give some security to ethical investors. It is precisely that which Finansol seeks to do: label the investment, the loans and the venture capital in the ethical field. Directly after me, the president, Henri Rouillé d'Orfeuil, will present Finansol before the distribution of its awards.

May I say finally that this ethical circuit seems to me to be indispensable to the community economy (économie solidaire), that goes without saying. But it is not only useful to community enterprises. In the same way as we have been able to glean interesting experiences from the African economy (Jean-Michel Servet's "tontines"), so circuits of this type open up new avenues for banks in general. It is not an accident that exclusion from the banking system lies at the heart of debates in our society today. The social role of savings banks ought to be upheld by an immediate law. For me, it is a return to the bank I dreamed of twenty years ago.

Discussion

SPEAKERS: Henri Rouillé d'Orfeuil, *President of Finansol*

Jean-Paul Vigier, *President of "Comité de Label de Finansol"*

Herwich Peeters, *Ethibel*

Caroline Demazery, *"Comité de la Charte"*

Elisabeth Tretiakov, *Micropal*

Henri Rouillé d'Orfeuil, President of Finansol

If we wish to promote and guarantee/securitise community investment, if we wish investors to have faith in us, we must give guarantees, define precisely what is "in" and what is "out", define what community investment is and what it is not. Consequently, the label is essential as soon as we go beyond the narrow circle of regulars, militants and members of this "family". It is something which underpins the Finansol association, to regroup the members who form part of this "family" and to guarantee all the financial products, notably those managed by the banks. The aim of this session is to deliver the Finansol label to the managers of these financial products. It has to be done with objective criteria and it has to be an independent authority which grants the label, otherwise it would have scarcely any value.

The second aspect which underpins Finansol is the idea of partnership. Each partner does his bit. The operators are at the cutting edge in the fight against social exclusion, the financial establishments do their banking bit and Finansol provides the partnership between the two. We see Finansol as a partnership and also an instrument for lobbying for the development of community investment finance tools. This partnership could expand to include the participation of the public authorities. We could enter into a large-scale contract and greatly increase the funds raised and the work of the partnerships. It is not about moving to subsidies and transforming reintegration into a vast aid operation. No, it is all about creating an encouraging framework so that partnerships and banks can work together and therefore to more powerfully.

Our association does a number of things. First, we try to promote new products. Second, we try to improve the general framework in which the community economy is to develop (notably on the fiscal and regulatory level). Third, we aim to boost existing tools in order to improve the supply and the transfer of financial means to the operators and the local project proposers.

Question: In terms of community investment France lags behind. In your opinion, is it the role of Finansol to rectify this and to enhance its reputation by educating the public?

JEAN-PAUL VIGIER: Yes, I think you are right. 3-4 years ago, when we began to flesh out this idea, France certainly did lag behind. Even although in the field of aid to southern countries France was not so slow. We had a three-fold reason for creating this label. First, to establish trust, to say that we stood guarantor for a certain number of investments, that they would be directed towards the community and that they conformed to our values.

— *Which community/communitites do you understand by the word "community"? Are any excluded?*

JEAN-PAUL VIGIER: No, no one is excluded from generosity. We have focussed our approach to community on the one hand on all that fosters the creation of businesses, and on the other, on all that can contribute to an improvement in the quality of life. We concentrated first of all on creating jobs and businesses. And next, accommodation. The second reason for creating this label was to spread the idea that you could put your savings/investments to intelligent use, endow them with a social purpose, go much further than a simple donation, beyond basic generosity.

Finally, the third reason for creating the Finansol label was to send a message, namely "*You can do something*". At a time when we are experiencing the global economy and as a result governments have less and less control over it, at a time when staff form the weak link in businesses, at a time when we feel decisions are being taken far removed from us, anywhere, any time, anyhow and not in a transparent way, businesses will always require two things, capital and consumers.

That gives back power to you, to me, to whoever, and in terms of investment, the Finansol label tries to give investors control of their investments. To put it another way, through your investments you can influence whether certain things happen, or not. You can make your influence felt through your choice of traditional investments, or you can be more selective or take a higher risk, by investing your money in bodies, banks and structures which intervene directly to meet real situations and needs by financing people who are excluded for the time being from traditional systems.

— How many labelled bodies are involved today?

JEAN-PAUL VIGIER: We have 24 applications to date, of which 20 have been granted the label, some for the second time. Basically, there three categories of investment. First, investments in unit trusts (mutual investment funds) with a community purpose, profit sharing. Second, there are acquisitions of interest in companies or capital shares in community banks. Third, there are investment clubs, which are groups of people who pool their resources to invest in local businesses.

— What criteria have to be met to be granted the Finansol label?

JEAN-PAUL VIGIER: There are two main groups of criteria. The first concerns transparency, information to investors. This gives them details about the financial plan, about performance, the contents of the portfolio, its management, management costs, etc. Investors want to be kept informed on a regular basis. The second concerns information on the way the money is used, information about the community. In short, investors must be invited to general meetings, etc.

— Who are the current investors - private individuals, institutions?

JEAN-PAUL VIGIER: Both. The number of private investors is growing significantly. People with moral scruples (works councils, religious communities, etc.). It is usually people or groups of people who wish to invest their money according to their moral values.

— How is the Finansol label viewed today?
Do people say: "Now they're following the latest fashion"?
Or is your credibility already established?

JEAN-PAUL VIGIER: As ever, when something new and small begins, either scorn or condescension is shown, or you're trying to exploit a situation... For the time being, I think Finansol has avoided these two pitfalls. Quite simply, I think we are at the beginning of something which is only just starting to take shape. For 2-3 years, most of the financial publications and the general press have been quite positive about it. That being said, I do not think the media as a whole has given us enough exposure to make us a household name.

— Do you know how much you are worth?

JEAN-PAUL VIGIER: I would say about 600 million FF (91,470 euros).

— If I say the words "Donner confiance",
do you recognise their source?

CAROLINE DEMAZERY (COMITÉ DE LA CHARTE): Yes, it's the logo of the "Comité de la Charte". In 1989, several of the major voluntary sector organisations got together to create a professional code of ethics for social and humanitarian organisations which raise money by public appeal. In connection with that, a "Comité de la Charte" was set up, the purpose of which is to see to it that the code is adhered to.

The code of conduct was signed in 1989 by 19 social and humanitarian associations and foundations. In 1999, the "Comité" has 47 members, amongst which are well-known organisations such as CCFD, Secours Catholique, Médecins du Monde, etc.

Question: What are its strong points? What about transparency?
Do we know exactly where the investment is placed,
what the social aim is?

CAROLINE DEMAZERY: The first aim is that the donor should know how his money is to be used and how the member (of the Comité du Charte) organisation functions. The Comité does not concern itself with the opportuneness of investments. We allow the donor to be the sole judge of that, as soon as he has received the best possible information. That is the Comité's task, and member organisations have accepted that they must provide the fullest and most correct information on the management of their funds and how they are used. So organisations adhere voluntarily to a sort of "code of good conduct". Of course applicants have to fulfil conditions in order to be admitted. That may seem rather strict today, but so be it. At least 3 million FF (457,350 euros) has to be raised annually, which is not always open to all member organisations. Besides we are always very careful to say that not to be a member does not indicate a lack of integrity. Some organisations remain outside the Comité because they consider their own internal controls to be sufficient. In our opinion however, self-regulation is not enough.

— Applicants are scrutinised by a censor.
"Censor" is a harsh word to use, isn't it?

Caroline Demazery: This is one of the distinctive features of the Comité. An organisation is not registered once and for all. Registration is renewed annually. The fifty member organisations will see their files re-examined each year. Scrutiny is by a censor and a supervisory commission. Each member organisation is allocated a censor whose responsibility is to draw up an annual report regarding its compliance with the code. This report is then referred to a supervisory commission composed of volunteers unconnected with the member organisations. This commission gives an opinion regarding whether or not to renew registration. As a last resort, the "Conseil d'Administration" makes the final decision as regards registration. So we are always in control: the censor is always present, not just once a year.

— Some times you can think you are ethical, when actually, you are not. Do organisations sometimes turn out not to be "sticking" to the code, and to find that out almost in spite of themselves?

Caroline Demazery: We are very vigilant about member organisations' candidatures. Some do not come up to scratch, not because they are unethical, but because they have not fulfilled the criteria for registration. One or two member organisations have had to withdraw from membership because they could no longer comply with the terms of the code. When you are a small local association, it's not that easy to meet the criteria.

— Do you see the labelling of Finansol as a success for the code?

Caroline Demazery: Yes indeed. In 1989 there were 19 of us, now there are 47. Some people will say that the ARC scandal had something behind it. Probably. But the whole trend amongst the voluntary sector is towards greater transparency, to work together, to communicate.

— Ethibel works in the Benelux countries, M. Peeters, has it a widespread presence in Belgium?

HERWICH PEETERS: Ethibel is a non profit- making association. It is a research consultancy, offering research and advice in the field of social, ethical and ecological investment. At the core of our work there is, on the one hand, the study of the economic and financial aspects of enterprises, linked to the way in which they carry out their social and societal responsibilities. On the other hand, we promote amongst the wider public different forms of ethical finance. The majority of our clients are from the banking world and from stock-broking firms. At present in Belgium there are 10 socio-ethical and ecological mutual investment funds. Others are being set up. Ethibel has a long term collaboration agreement with 8 of them, whilst 5 have been labelled by Ethibel. Ethibel operates either on the basis of its own criteria or on the basis of the client's criteria. Ethibel also works as a socio-ecological auditor for businesses, for example in the case of monitoring the ethical reinvestment of savings products.

In order to determine the extent of the ethical dimension and the quality of chosen criteria, Ethibel divides the funds into three generations. The first bases its judgements on negative criteria, criteria which result in refusal or avoidance of the activities, services or products. This would be the case for example with the arms trade, nuclear energy or tobacco. Such funds are not common in western Europe. The second generation starts from a selection based on attitude to the environment, social policy or the production programme of businesses. Based on positive criteria, values are chosen. The third incorporates economic and financial analysis of social, ecological and ethical data, starting from the fact that these elements, which are inextricably linked to the culture of enterprise and long term strategy, underpin the success of the enterprise. For these third generation funds, account is also taken of the return to all those who have interests in the business, as well as research elements and outside control. We highlight efforts promoting sustainable development, respect for the environment, a fair social and economic attitude and a respect for human rights.

Ethibel bases its judgements on its own methodological criteria registered within the Ethibel certification brand for the Benelux countries. It is a collective certification brand. The label is granted to mutual investment funds which invest solely in shares and bonds of enterprises or institutions which have been selected or retained by Ethibel.

— What are the advantages of the label?

HERWICH PEETERS: In relation to the public, the aim is to give an optimal guarantee through the intervention of an external, independent and authorised controlling body. In relation to the banking world, the advantage for fund managers can be expressed in terms of additional non-financial analysis indicators which allow better share selection and better judgement and evaluation of businesses in terms of risk waiting and long-term and market perspectives.

Of course there is also the financial aspect and a benefit in terms of reputation. There is also the recognition that these enterprises are treated in a fair and balanced way, and based on dialogue.

— What are the challenges of the label?

HERWICH PEETERS: Transparency and communication. Representing recognition and credibility, the label must be permanently explained and communicated. We have to enter into dialogue with the public, bankers and businesses. For this reason, Ethibel will shortly be launching brochures and publications, and will be on the Internet to publicise its expertise and information.

— What results has your label achieved?

HERWICH PEETERS: After almost 7 years managing this label, I think we could say we have made considerable progress in Belgium, as much in terms of increasing the capital invested in socio-ethical products as in terms of the ethical value of funds. Also the traditional banks have launched products since the launch of the label.

— In the Belgian press, does Ethibel appear on the traditional pages like the others, or is it still considered rather marginal?

HERWICH PEETERS: Two years ago things changed fundamentally. The financial press devoted special articles to ethical funds and continued to do so every 6 months. We seem to be well quoted.

— You measure unit trust performance throughout the whole world. Are you familiar with Ethibel?

ELISABETH TRETIAKOV: Not at all. I specialise in French products and products distributed in France. Micropal tracks all funds in all countries, but I am not familiar with Ethibel, or Finansol, so I am very interested in all this. We know about charitable and ethical funds, even though we draw a slight distinction between the two. A unit trust is just being set up – it's called "euro sociétal". This is something which is bound to develop further. Our task embraces measuring performance and also classifying funds in terms of their management objectives, and the products in which they are invested. If there were enough of them, we could present a prize for some ethical fund or another. But we would have to have a label so that the funds would be comparable and well invested in companies which met certain criteria.

— Is there a demand?

ELISABETH TRETIAKOV: There is a very real demand amongst managers who invest in this type of product. They would like there to be such labels in France, so that they could be recognised as ethical funds in relation to others which are less so. Amongst the public, I cannot say, I am too far removed from that sphere to be in a position to comment.

— Do you think labelling is an asset when it comes to making comparisons? Do you think Finansol is playing with the big boys?

ELISABETH TRETIAKOV: In France it's still marginal. Whether this type of fund is going to develop in the future is, frankly, difficult to say. I'm not a player in the financial field, I'm only a spectator.

— All the same, do you think that today we are at year zero of a process which will succeed tomorrow, especially when we see the "Comité de la Charte", and an awareness of sustainable development and ecology.?

ELISABETH TRETIAKOV: To tell the truth, I do not know if the public is ready to invest to the extent that the banks might want to create this type of fund. That's really the question which needs to be asked. On the other hand, I think that we at Micropal, have a role to play, which is to promote your funds, to publicise them, to publicise the Finansol label. The fact that we agreed to participate in these two days indicates that we are at least interested.

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INAISE is an international network of socially and environmentally oriented financial institutions.

Created in 1989, INAISE has grown rapidly as the movement of social investors gained importance, volume and visibility in a number of European and non-European countries. Through INAISE, social investors from Norway to South Africa and from Costa Rica to Japan have been joining forces to exchange experience, disseminate information and demonstrate that money can actually be a means to achieve positive social and environmental change.

Inaise members do not only differ in the sectors in which they invest. They approach investing and depositing differently from traditional financial institutions. INAISE members go beyond anonymous technical banking. As collectors of deposits, they try to be transparent institutions where people can actually see what happens with their money, creating awareness and involvement.

INAISE
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Where our money works

INAISE members, through their investment policy, foster and promote the development of organisations and enterprises:

- Social Economy: co-operatives; community enterprises; employee participation; employee buy-outs; micro and small enterprise creation and development
- Environment and sustainable development: renewable energy; organic agriculture, food processing and retailing; eco-building; clean technology
- Social development: community housing; employment generation; community groups and the voluntary sector
- Education and Training: schools buildings, training courses; organisational development
- Health-care: community care; programmes for the disabled; preventive therapies
- North-South: fair trade; small-enterprise start-ups through micro-credit programmes; small business training and counselling
- Culture and arts: artists; exhibitions, theatre; dance; local radios.