



Social finance and common goods

Camille Meyer

Université libre de Bruxelles, CEB-CERMi

FNRS/FRESH grant holder

Ph.D. project

Can social economy organizations generate and manage common goods ?

⇒ Theories:

⇒ Common goods (Ostrom)

⇒ 3rd sector & nonprofit organizations

⇒ a multidisciplinary analysis of governance and financial mechanisms in community development banks in Brazil

Presentation of the Community Development Banks (CDB)

- Management structure: grassroots NPO (association), owned by the « community » and collectively managed (public space)
- Social mission: create income and employment
- Strategy: provides financial services (mainly microcredits, social currency) and nonfinancial services (mainly trainees, commercial networking)

Presentation of the CDBs

- Multiple case study comparison: 3 levels of analysis



Art. 1

Microfinance and Common Goods: A Study of Brazilian Community Development Banks

With Marek Hudon

Art.1 Microfinance and the common goods

- Introduction:
 - CDBs are microfinancial nonprofit org. (NPO)
 - They share characteristics with commons org.:
 - Collective action
 - Common-property
 - But: the commons studied by Ostrom are natural resources or informational resources

- Research Questions:
 - Can NPO manage microcredit services as self-managed organizations govern natural commons?
 - What is the impact of institutional choices on the properties of microcredit services offered by CDB?

Art.1 Microfinance and the common goods

- Methodology: test the design principles of sustainable self-managed organizations to a nonprofit microfinance institution (Banco Palmas)
- Results:
 - Design principles apply neatly to Palmas microcredit system
 - Microcredits share characteristic features with commons if their provision is organized through specific institutional arrangements
 - Collective-choice arrangements: public space
 - Collective action and self-managed organization
 - Governance transformative power:
 - From private to « Hybrid good »

Art.1 Commons management

- Hardin, *The tragedy of the commons (1968)*
 - Self-organized commons will be overexploited and destroyed
 - Solution: privatization or government control
- Ostrom, *Governing the commons (1990)*
 - **Users obtain better outcomes when they create their own rules for managing a common resource**
 - Strong empirical evidences => Design principles

Art.1 Methodology

- Ostrom design principles
 - 1. clear defined boundaries (users & resource)
 - 2. congruence between appropriation and provision rules to local conditions
 - 3. collective-choice arrangements
 - 4. monitoring
 - 5. graduated sanctions
 - 6. conflict-resolution mechanisms
 - 7. minimal recognition of rights to organize
 - 8. nested enterprises (for larger systems)

Art.1 Methodology

- Data collection based on field research:
 - Collected in Brazil during 6 months in 2011-12
 - **Direct observation** at Banco Palmas, & university incubator
 - **Semi-structured interviews** with 8 Banco Palmas directors and managers & 2 university researchers
 - **Secondary sources:** institution's publications & academic literature

=> Analysis based on data triangulation

Art. 1 Findings

<i>1. Clearly defined boundaries</i>	<ul style="list-style-type: none">- three millions reais (+ 1million €) from public banks- access limited to the inhabitants of Conjunto Palmeiras and neighboring suburbs
<i>2. Rules are adapted to local conditions</i>	<ul style="list-style-type: none">-facilitated for poor households-loans are immediately or rapidly disbursed-approval is based on social relationships for loans above R\$ 500
<i>3. Collective-choice arrangements that allow participation in the decision-making process</i>	<ul style="list-style-type: none">-resource appropriators can participate in decision-making through a local public space (FECOL)-share their remarks and suggestions by going directly to Banco Palmas

Art. 1 Findings

<i>4. Effective monitoring</i>	Behavior monitored both by: <ul style="list-style-type: none">- Banco Palmas (which checks the payments)- external credit agents (who visit borrower)
<i>5. A scale of graduated sanctions</i>	<ul style="list-style-type: none">- neighborhood informed of the default- inscription in the national banking suspension list- potentially culminating in exclusion of the system
<i>6. Mechanisms of conflict resolution</i>	Conflicts regarding the terms of repayment can go to Banco Palmas to program a rescheduling .

Art. 1 Findings

<p><i>7. Recognition by higher-level authorities</i></p>	<p>-Partnership with public banks and the government help to strengthen its institutional structure and financial system</p> <p>-Nevertheless, CDBs are not regulated</p>
<p><i>8. Organization in the form of multiple layers of nested enterprises</i></p>	<p>Three nested enterprises organize resource management.</p> <ul style="list-style-type: none">- ASMOCNP exercises social control and is involved in organizing local forums- Banco Palmas organizes and monitors resource unit ownership, and resolves conflicts.- Palmas Institute organizes the supply of resources.

Art. 1 Findings

First result :

⇒ CDBs' microcredit management is comparable to the management of self-governed common goods institutions

Art. 1 Findings

Second result:

⇒ Management system through collective action **blurs the boundaries** of microcredit

- All credit could be a private good:
 - High financial exclusion
- CDB collective management system:
 - Substractable (need for external financing)
 - Microcredit considered as a collective resource:
 - Mission of financial inclusion (ex: Projeto ELAS)

⇒ **Hybridization**: combine characteristics of both private and common goods

Art. 1 Discussion

- **Specificity** of CDBs compared to other NPO or MFI:
 - Third design principle: “collective-choice arrangements”
 - key criteria in the **transition** from private to hybrid goods since it coordinates the **community appropriation** of those goods by **collective deliberation**
 - characteristic of **grassroots** organizations
 - Seventh design principle: recognition by the government
 - not the case for all grassroots MFIs

Policy implications

- **Financial subsidiarity**
 - good example of partnerships between financial NPO and public banks.
 - scale up their activities and make a bigger impact at local level.
- **Inclusion in national public policy** on financial inclusion
 - support and partnerships with Palmas Institute to develop its methodology at national level

Ph.D. other articles

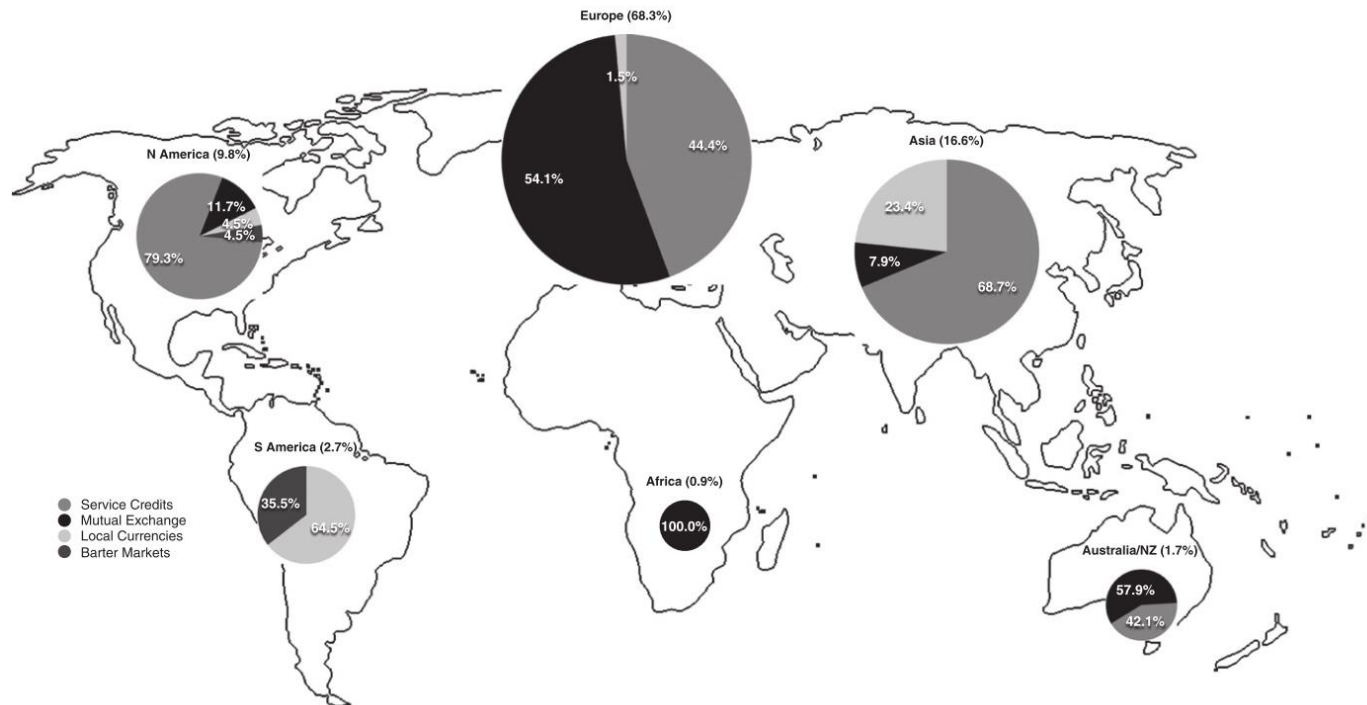
On-going Ph.D. structure

- Capacity of social economy organizations to produce and manage commons
- 1: Can money be a common good?
 - Analysis of community currency (CC) systems
- 2: What is the value-added of articulating a social currency to a microcredit device?
 - Analysis of the articulation of CC and microcredit and its development impacts
- 3: Does the recourse to an external partner improve the self-management of CDBs?
 - Analysis of incubation process and creation of local public space

Art. 2 Understanding money as a commons

- Community currencies are a bona-fide phenomenon
 - Decentralized currency systems (+ 3,418 worldwide)
 - Issued by civil society and NPO (4 categories)

G. Seyfang, N. Longhurst / Ecological Economics 86 (2013) 65–77



Art. 3: Community currency and microcredit

- What is the value-added of articulating a social currency to a microcredit device?
 - ⇒ Does it lead to a mutual construction of supply and demand in poor territories? Which impacts on SMEs development?
- Organizational ecology: understand the conditions under which organizations emerge, grow, and die.
- Regression proposal:
 - Dependent variable: SME growth
 - Independent variables: acceptance of CC, amount of CC, loan receipt, evolution...

Art. 4: external partnerships and commons dynamic

- Does the recourse to an external partner improve the self-management of CDBs?
- ⇒ Understand the role of external partners (university incubators and transformed CDBs) in the incubation process and the construction of a public space
- ⇒ Does it lead to a collective appropriation of financial resources? How does it work?
- We discuss the “collective-choice arrangement” design principle by integrating the notion of public space (Habermas, Arendt)